



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: 00828



2023

**Environmental, Social
and Governance Report**

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1. ABOUT THIS REPORT

1.1 Introduction

This Environmental, Social and Governance Report (the “**Report**”) summarises the Environmental, Social and Governance (“**ESG**”) initiatives, plans, and performance of Dynasty Fine Wines Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**” or “**we**”) during the period from 1 January 2023 to 31 December 2023 (the “**Year**”), and demonstrates its commitments to sustainable development.

1.2 Reporting scope

This Report contains the policies and performance in respect of environment and society associated with the Group’s business in the production and sale of wine products. The environmental policies and key performance indicators disclosed in this Report are mainly related to its wine products production business, and cover its Sino-French Joint-Venture Dynasty Winery Ltd. (“**Dynasty Tianjin**”, being the key winery of the Group) in Tianjin, the People’s Republic of China (the “**PRC**” or “**Mainland China**”). The scope of disclosure in the society aspect covers Dynasty Tianjin, Dynasty Fine Wines (Asia Pacific) Limited in Hong Kong, and a Hong Kong office. The above reporting scope is determined prudently based on entities with major environmental impacts in the Group’s business. For information on corporate governance, please refer to the Corporate Governance Report set out in the Annual Report of the Company this Year.

Unless otherwise stated, the Group obtained the data of the ESG key performance indicators through its operational control mechanisms.

1.3 Reporting framework

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”). For the disclosure requirements and contents of the ESG Reporting Guide, please refer to 9. Content index of “ESG Reporting Guide” of this Report.

1.4 Reporting principles

Materiality:

The Group has formulated this Report based on the stakeholder engagement and the results of materiality assessment. More details are set out in 2.2 Stakeholder engagement and 2.3 Materiality assessment of this Report, and this Report has covered major ESG issues that stakeholders are concerned about.

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Quantitative:

The Group discloses environmental and social key performance indicators in this Report. The standards, methods and reference data used to calculate key performance indicators have been explicitly listed in this Report, so that our stakeholders can fully understand the Group's ESG performance.

Balance:

In the preparation of this Report, the Group has presented its performance in all aspects of sustainability in a fair and transparent manner.

Consistency:

The Group strives to adopt consistent reporting and calculation methods as far as reasonably practicable to improve the comparability of ESG performance. At the same time, the Group will elaborate in the corresponding chapters when there are major changes in data.

1.5 Contact us

For more detailed information on the Group's environmental, social and corporate governance, please refer to the Group's official website (<https://www.dynasty-wines.com/investors>). We value the comments from our stakeholders. If you have any comments or suggestions on this Report or the overall sustainable development of the Group, please feel free to contact the Group at esg@dynasty-wines.com.

2. ESG MANAGEMENT

2.1 Governance statement of the Board

The Group upholds a sustainable ESG management approach and understands that a sound management approach can bring about long-term returns to stakeholders and the Group. Therefore it is one of the core components of its business strategy. To effectively implement and review the ESG management approach, the Group has formulated an ESG management structure. The executive Directors of the Group are responsible for ESG management, reviewing the ESG issues and progress in achieving the objectives in the regular ESG meetings, crafting the strategic direction of ESG and ensuring the effectiveness of the ESG risk control and internal control mechanism. In order to effectively implement the Group's sustainable development strategy, the Board (the "**Board**") of directors (the "**Directors**") is responsible for facilitating and supervising the establishment of communication channels among various departments to facilitate communication on ESG issues. Meanwhile, the Group has also formed an ESG working group comprising the core members from different departments, which takes charge of the ESG data collection and inspection and evaluation of performance on environment, health and safety, labour standards, product responsibility etc., and keeps the Board informed of ESG performance and assessment results through Board meetings, special reports and other relevant communication channels in an effort to enhance and improve ESG governance performance of the Group and ensure the effectiveness of the Group's ESG risk management and internal control systems.

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In addition, the Board engaged an independent consultancy to assist the Group in the management of ESG affairs during the Year, including conducting data and information collection and analysis, and making recommendations to improve ESG performance. The consultancy also assisted the Board to collect and analyse stakeholders' opinion on ESG matters and conducted materiality assessment. The stakeholders were asked to score and rank ESG issues as they concerned so as to identify the Group's material ESG issues. The Board will also review the content and quality of the annual ESG report to ensure that it meets the requirements of the Board, monitor developments in the market and regulatory authorities, and make adjustments to the ESG management approach as appropriate in order to effectively lead the ESG process of the Group.

2.2 Stakeholder engagement

The Group believes that the engagement and opinions of stakeholders are important parts of sustainable development work. We stress maintaining close contact with stakeholders. By establishing different channels for communication, we understand and respond to the expectations and requirements of stakeholders, regularly review ESG issues of importance to key stakeholders and monitor the impact of ESG performance on stakeholders, and thus formulate and implement strategies for improvement, in a way that the Group's business practices can meet the expectations of stakeholders. The expectations and requirements of various stakeholders for us and our corresponding communication and response methods are set out below.

Stakeholder	Expectations and Requirements	Communication and Response Methods
Government and regulatory bodies	<ul style="list-style-type: none"> • Compliance with laws and regulations • Promoting local economic development 	<ul style="list-style-type: none"> • Regular communications with regulatory bodies • Inspection and supervision • Compliance management
Board of Directors	<ul style="list-style-type: none"> • Compliant operation • Improving financial performance • Corporate sustainable development 	<ul style="list-style-type: none"> • Board meetings • Routine communication and reporting

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Stakeholder	Expectations and Requirements	Communication and Response Methods
Shareholders, institutional and individual investors	<ul style="list-style-type: none"> Improving financial performance Enhancing the value of the Company Corporate sustainable development 	<ul style="list-style-type: none"> General meeting Announcement and Circulars of the Company
Suppliers	<ul style="list-style-type: none"> Product quality Performance of contracts in accordance with law 	<ul style="list-style-type: none"> Regular assessment On-site inspection Exchanges and visits
Customers	<ul style="list-style-type: none"> High-quality products and services Health and safety Performance of contracts in accordance with law Business integrity and ethics Protection of customer information and privacy 	<ul style="list-style-type: none"> Customer service centre and hotline Customer satisfaction survey Telephone and meetings Social media platform Customer activities
Environment	<ul style="list-style-type: none"> Emissions in line with standards Energy saving and emission reduction Ecological protection 	<ul style="list-style-type: none"> Exchanges with local environmental departments Communications with local residents Submission of report Investigation and inspection
The industry	<ul style="list-style-type: none"> Formulating standards for the industry Promoting the development of the industry 	<ul style="list-style-type: none"> Participating in the forums of the industry Inspection and reciprocal visits

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Stakeholder	Expectations and Requirements	Communication and Response Methods
Employees	<ul style="list-style-type: none"> • Equal opportunities • Health and safety • Remuneration and benefits • Career development • Humanistic care 	<ul style="list-style-type: none"> • Staff meetings • Routine communication and reporting • Regular appraisal of performance • Training and workshops
Communities and the public	<ul style="list-style-type: none"> • Promoting the development of communities • Openness and transparency of information • Compliant operation 	<ul style="list-style-type: none"> • The website of the Company • Announcements of the Company
The media	<ul style="list-style-type: none"> • Compliant operation • Upholding the business ethics 	<ul style="list-style-type: none"> • The website of the Company • Press release • Announcements of the Company
Non-governmental organisations	<ul style="list-style-type: none"> • Environmental protection 	<ul style="list-style-type: none"> • Announcements of the Company

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2.3 Materiality assessment

Thanks to the participation of the employees of various key functions of the Group in the preparation of this Report, the Group was able to review its operations and preliminarily identify potential important ESG issues concerned by internal stakeholders. By conducting a questionnaire with the assistance of third-party ESG consultancy, the Group collected the opinions of various departments and business units on potential ESG issues and identified important ESG issues with reference to the materiality maps provided by well-known external organizations.¹

The following table sets out the major ESG issues for the internal stakeholders of the Group during the Year:

ESG indicator	Major ESG Issues	Page
A. Environment		
Aspect A1: Emissions	Emissions Management	9-13
Aspect A2: Use of Resources	Use of Resources	13-17
B. Social		
Aspect B2: Health and Safety	Health and Safety	25-27
Aspect B3: Development and Training	Training and Development	27
Aspect B4: Labour Standards	Prevention of Child Labour and Forced Labour	21
Aspect B5: Supply Chain Management	Supply Chain Management	28-29
Aspect B6: Product Responsibility	Quality Management	29-31
	Sales Practices and Product Labels	32

During the Year, the Group has established appropriate and effective management policies and monitoring systems concerning ESG matters, and has confirmed that the information disclosed in this Report meets the ESG Reporting Guide.

¹ The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).

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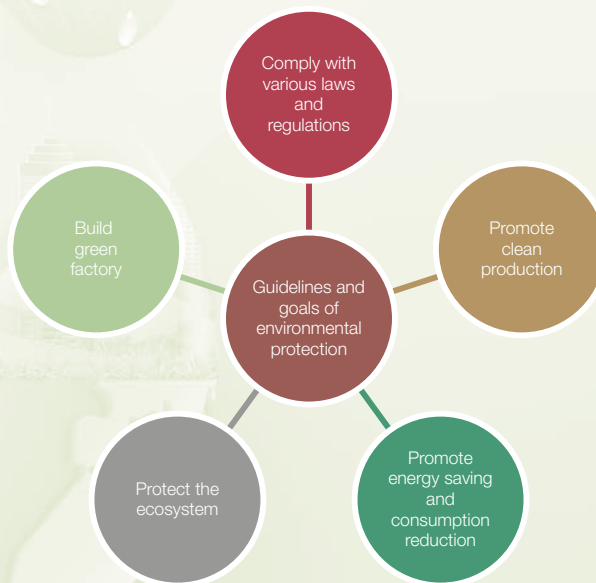
3. ENVIRONMENT

3.1 Standards and goals of environmental protection management

In order to promote green development and perform environmental protection works correctly and effectively, the Group established standards of environmental protection management, assigned corresponding environmental protection work and responsibility based on the positions of the employees, prepared environmental emergency plans to reduce the impact brought by environmental incidents, and also set up operating procedures of environmental protection work to standardise sewage treatment, exhaust gas emissions, hazardous waste management and other works.

The Group established a leading management group for environmental protection work, which was composed of the general manager and other senior management and responsible for establishing the environmental development guidelines and plans as well as supervising the environmental protection work. There is an environmental protection management office under the leading management group, responsible for implementing the environmental protection plans, establishing an environmental emergency response mechanism, tracking the status of environmental protection practices and other duties. In addition, the environmental protection duties of different departments and personnel are listed in the environmental protection management system, which assigns environmental protection works to each level of the Group. For example, the discipline inspection and supervision department is responsible for the disciplinary work of accidental environmental pollution incidents, the labour union is responsible for assisting in environmental protection promotion and activities, the equipment department is responsible for the management of environmental protection requirements and regulations in the procurement process, etc.

The Group also listed long-term plans of environmental protection management within the environmental protection management standards, aiming to create more value for the society. Among them, the guidelines and goals of environmental protection are as follows:



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3.2 Emissions

The Group has upheld the concept of sustainable development in the course of business and strived to reduce the impact on the environment during its production process. The Group strictly abides by relevant laws and regulations on environmental protection, including but not limited to “Environmental Protection Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, “Water Pollution Prevention and Control Law of the People’s Republic of China” and “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes”.

The Group has always implemented the approach of “sound system, cherishing resources, treating the Earth well and sustainable development”. Therefore, the Group has set control procedures for the identification and evaluation of environmental factors to identify exhaust gas, wastewater and waste discharged during the operation and has established environmental protection responsibility system to control and reduce the hazards to the environment generated during operation. The Group endeavors to manage various types of emissions generated during production to ensure relevant statutory requirements are satisfied. We actively assume the corporate social responsibility as we have been exploring ways of operation with less harmful impact on the environment and are highly aware of positive environmental management to do our utmost to protect the environment.

The Group strictly complied with the environmental laws and regulations of the PRC related to wine business during the Year and did not record any emissions-related violations.

i. Exhaust gas emissions

The Group’s exhaust gas generated by the business in the PRC mainly generated from routine use of motor vehicles. To effectively control and reduce emissions from the use of motor vehicles, the Group takes the following emission-reduction measures:

- Make full use of the seating capacity of vehicles to carry maximum number of passengers in the minimum times of ride;
- Provide maintenance and inspection of vehicles on a regular basis; and
- Provide training to drivers to ensure no running engines on idling vehicles.

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The Group's vehicle exhaust gas emissions increased during the Year as it resumed normal operation after the pandemic, and the performance is summarized as follows:

Vehicle exhaust gas ^(Note 1)	Unit	2023	2022
Nitrogen oxides (NO _x)	kg	7.67	6.30
Sulfur oxides (SO _x)	kg	0.15	0.11
Particulate matter (PM)	kg	0.56	0.46

Note:

1. The emission factors are derived from "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the National Development and Reform Commission of the PRC (the "NDRC of the PRC") and "Reporting Guidance on Environmental KPIs" (the "Appendix II") provided by the Hong Kong Stock Exchange.

The Group uses natural gas as the fuel of the boiler in the production process, which produces no substantial air pollutants during the combustion process given the fuel characteristics of natural gas. In addition, the Group strictly complies with the "Emission Standard of Air Pollutants for Boiler" (DB12-151-2016) of Tianjin. In summer, the Group maintains the independent operation of gas-supply production equipment. In winter, the heating system is operated together with the gas-supply production equipment to save energy. Meanwhile, the Group engages qualified third-party testing agencies regularly to test the emissions of its boilers to ensure compliance with emission standards. To reduce the emission of air pollutants from boilers, the Group has installed an external flue gas recirculation system, introducing the flue gas into the burner to reduce the combustion temperature, thereby reducing the emission of nitrogen oxides generated by high-temperature combustion.

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ii. Greenhouse gas (“GHG”) emissions

The Group’s GHG mainly includes (i) direct emissions from regular combustion of fuels during production, routine fuel consumption by vehicles and use of refrigerant; (ii) indirect emissions of energy from purchased electricity; and (iii) methane generated from business flights, waste paper disposal and electricity consumption for water treatment.

The GHG emissions performance of the Group is summarized as follows:

GHG <i>(Note 1)</i>	Unit	2023	2022
Total GHG emissions	tCO ₂ e	3,329	4,042
Scope 1 – Direct emissions <i>(Note 2)</i>	tCO ₂ e	1,289	1,359
Scope 2 – Indirect energy emissions <i>(Note 3)</i>	tCO ₂ e	1,981	2,683
Scope 3 – Other indirect emissions <i>(Note 4)</i>	tCO ₂ e	59	–
GHG emissions intensity	tCO ₂ e/m ²	0.05	0.06

Notes:

1. The calculation of GHG emissions was based on the “Reporting Guidance on Environmental KPIs” (the “**Appendix II**”) provided by the Hong Kong Stock Exchange and the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong” provided by the Environmental Protection Department and the Electrical and Mechanical Services Department. The GHG emitted by the Group include carbon dioxide, methane and nitrous oxides. All GHG emissions data are presented in tCO₂e.
2. The emission factors are derived from “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by the NDRC of the PRC and the “Reporting Guidance on Environmental KPIs” (the “**Appendix II**”) provided by the Hong Kong Stock Exchange.
3. The emission factors are derived from “Average Carbon Dioxide Emission Factor of China Regional Power Grid” and “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by the NDRC of the PRC.
4. Other indirect emissions in Scope 3 cover other indirect emissions occurring outside the Group, including methane from business flights, electricity consumption for water and sewage treatment and waste paper disposal. The data is calculated based on the International Civil Aviation Organization (ICAO) Carbon Emissions Calculator, the “Study on Energy Consumption of Urban Water Supply System in China” and “Statistical Analysis and Quantitative Identification of Energy Consumption Patterns of Municipal Sewage in China” and the “Reporting Guidance on Environmental KPIs” (the “**Appendix II**”) provided by the Hong Kong Stock Exchange.

Currently, the Group has a short-term goal of adopting a series of practical measures to gradually reduce GHG emissions from its production processes and strives to explore plans to achieve carbon neutrality in the long term. The Group keeps green plants in office areas, encourages employees to use more public transportation, adopts video conferencing to replace non-essential overseas business trips, and gives priority to direct flights if necessary. Meanwhile, during the Year, the Group continued to upgrade its production boiler technology and further reduce the emissions of atmospheric pollutants from boilers.

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iii. Wastewater treatment

The wastewater of the Group comes from production sewage and the domestic sewage, among which the production sewage comprises the wastewater from washing the equipment of production workshops of the Group, filling and cleansing bottles, boiler blowdown, water purification, etc. The domestic sewage comes from the daily usage of water for the office buildings, canteens, washrooms, etc. Domestic sewage is treated through the grease trap and septic tank, and then enters the sewage treatment station together with the production sewage. During the Year, the Group generated a total of 92,920 tonnes of production sewage and domestic sewage (2022: 85,000 tonnes). The Group regularly engages third-party agency to conduct sewage testing, and its sewage discharge standards are determined according to the “Integrated Wastewater Discharge Standard” (DB12/356–2018) of Tianjin. During the Year, the results of the Group’s wastewater testing met the statutory requirements.

In order to effectively enhance the monitoring and management of wastewater, the Group constructed the automatic monitoring facilities for sources of pollution connected with the monitoring center of the environmental protection authority at the main wastewater outlet. The Group’s water pollution monitoring data will be transmitted through the Internet to the environmental protection authority for real-time monitoring, ensuring the Group’s discharge of wastewater is in compliance with requirements.

iv. Waste management

The Group takes a classification-based approach to the management of non-hazardous and hazardous waste generated in business operation. Non-hazardous wastes generated by the Group include general waste (including wine lees) and kitchen waste, waste paper, glass and plastic. From processing grapes to winemaking, the Group will produce wastes such as grape stems, grape seeds and grape residue. The de-stemmed grapes are pressed and crushed. The grape residue, including grape skins and grape seeds, settles and forms wine lees and are brewed with the wine liquid to help enhance the taste of the wine. Through classification, the Group will recycle and reuse recyclable waste to reduce the impact on the environment, while non-recyclable waste will be transported to government landfill for disposal. In addition, the Group encourages its staff to reuse office supplies such as envelopes and folders, and to reduce the use of disposable and non-recyclable products. In respect of paper consumption, the Group posts notices next to the copiers/printers to remind staff to reuse or use both sides of the paper as much as possible, and conducts regular paper consumption surveys to monitor paper consumption and take appropriate improvement measures.

For hazardous wastes, the Group will effectively manage and process in accordance with relevant laws and regulations including but not limited to “National Hazardous Waste Inventory” and “The Measures for Administration of Joint Disposal of Hazardous Wastes” to minimize the risk of causing hazards to the environment. The hazardous waste generated by the Group during operation includes ink cartridges. The Group engages qualified hazardous waste transportation companies and processing units to collect and process the hazardous wastes.

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The data of wastes generated by the Group are as follows:

Waste	Unit	2023	2022
Total non-hazardous waste	Tonnes	57	315
Non-hazardous waste intensity	Tonnes/tonne of production output	0.008	0.051
Total hazardous waste	kg	9	9
Hazardous waste intensity	kg/tonne of production output	0.001	0.001

Currently, the Group aims to promote and implement the concept of circular economy and strives to reduce waste by educating staff on the importance of waste reduction and promoting recycling measures. In the long term, the Group expects to gradually reduce the amount of waste sent to landfill.

3.3 Use of resources

As energy, water resources and packaging materials are essential to the production of the Group, the Group attaches importance to resource management and use. The Group complies with the “Law of the People’s Republic of China on Energy Conservation” and other laws and regulations concerning energy and resources conservation, and actively promotes the effective use of resources to reduce the impact on the environment while maintaining the quality of production. The Group is highly aware of the overall energy consumption. Therefore, it has established and implemented regulations related to energy management, clarifying the rules of use of various energy and the responsibilities of various departments. Meanwhile, the Group established a monitoring team to monitor the potential impact of business operation on the environment on a real-time basis, and supervise and inspect the energy use by production systems and non-production systems.

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i. Energy management

The Group's energy consumption includes (i) direct energy consumption, such as natural gas, gasoline and diesel, and (ii) indirect energy consumption, including electricity purchased from third parties. The Group actively implements the concept of energy-saving and emission reduction, and energy consumption of production equipment has been reduced through maintenance and innovation of production equipment, possible arrangements for production plans to reduce equipment downtime and other measures. For the purpose of effective monitoring of electricity consumption, the Group will record and compare monthly electricity consumption and natural gas consumption to monitor and analyse energy consumption, understand the effectiveness of the energy-saving measures implemented, and make timely adjustments. In addition to reducing the use of electricity in the production process, the Group also develops relevant energy use requirements for daily operations to raise energy use efficiency, including the following measures:

- Use daylight as much as possible and set up independently controlled lighting switches by area;
- Keep lighting fixtures and lamps clean to maximize their energy efficiency;
- Replace the lamps in the filling workshop and office area with LED lamps with less electricity consumption;
- Change the public area lighting to automatic sensing;
- Allow employees to wear casual attires to reduce the use of air conditioners in the hot weather and on Fridays;
- Specify the opening temperature and lowest temperature of air-conditioning, and avoid excessive use of air-conditioning;
- Arrange for cleaning and regular inspection of central air-conditioning components to improve cooling efficiency;
- Prioritise the purchase of electronic equipment with energy efficiency labels.

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In addition, the Group also encourages employees to develop the habit of saving electricity, and lists the requirements on the use of electrical appliances and electricity in the employee management rules, so as to work together with the Group to cultivate a thrifty and frugal atmosphere, reduce unnecessary energy consumption and relieve the burden on the environment. In order to achieve the goal of saving electricity and using electricity efficiently, the Group promotes and educates its employees on emission-reduction measures to enhance their sense of environmental responsibility through different media channels such as email, posters and intranet, and encourages them to:

- Turn off the lighting equipment when leaving, and follow the rule of readily turning off the lights in an unoccupied area; and
- Turn off electrical appliances and equipment that are not necessary to use in order to save electricity during standby time.

The Group's energy consumption performance is summarised as follows:

Type of energy	Unit	2023	2022
Direct energy consumption			
Natural gas <i>(Note 1)</i>	MWh	3,216	3,669
Gasoline <i>(Note 2)</i>	MWh	99	71
Indirect energy consumption			
Electricity	MWh	3,474	3,034
Total energy consumption	MWh	6,789	6,774
Energy consumption intensity	MWh/tonne of production output	0.97	1.10

Notes:

1. The calculation factors used are derived from "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the NDRC of the PRC.
2. The calculation factors used are derived from the Energy Statistics Manual from the International Energy Agency.

Currently, the Group aims to reduce unnecessary energy consumption and improve energy efficiency, and will continue to gradually reduce the intensity of energy consumption by adopting various measures, such as the use of energy-saving equipment and employee education. During the Year, the Group has adjusted energy consumption composition and installed voltage regulators for equipment with large electricity consumption. In the future, the Group will remodel the transformer room and adjust the distribution of electricity loads in order to achieve the goal of reducing energy consumption and improving the efficiency of energy use.

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ii. **Water management**

The use of water resources of the Group includes water for production and domestic use. In order to prevent 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 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 Group implemented a series of water-saving and energy-saving programs, such as “Pure Water Production Equipment Renovation Program” and “Program for the Increased Use of the U.S. Gamajet Cleaning Nozzles” to reduce water for production use. The Group is committed to reduce water consumption, implementing water-saving measures, and encouraging employees to actively lower their water usage. The Group has reminded employees to turn off the taps after using the sink, and posted water-saving reminder stickers at water supply locations and restrooms to raise the water-saving awareness among employees. The Group regularly checks the readings of water meters and hidden water leakage. If there is any dripping of water from the taps, the Group will immediately arrange for repairs to ensure the effective use of water resources and avoid wastage. In addition, the Group will use faucets and urinals with water-saving labels, and pay attention to the latest water-saving devices and discuss the possibility of applying them, so as to further reduce the consumption of water resources. Based on our production model and the geographical location of plants and offices, we have no issues with sourcing water that is fit for purpose.

The Group’s water consumption performance is summarised as follows:

Water Resources	Unit	2023	2022
Total water consumption	m ³	107,208	114,314
Intensity of water consumption	m ³ /tonne of production output	15.33	18.50

Currently, the Group aims to avoid unnecessary water use and improve water efficiency, and is committed to finding ways to reduce water intensity.

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iii. Use of packaging materials

The Group mainly produces wine products, and the main packaging materials include cartons and paper products and glass wine bottles. The Group improved the production conveyor and increased the spacing of glass wine bottles to reduce damage to glass wine bottles due to collisions, thereby reducing unnecessary consumption of packaging materials. In addition, the Group conducts regular assessment of material usage to avoid overstocking. The Group's use of packaging materials increased during the Year as the economy gradually recovered and sales volumes increased.

The Group's performance on the consumption and intensity of packaging materials is summarised as follows:

Packaging Materials	Unit	2023	2022
Consumption of packaging materials	Tonnes	7,479	5,480
Cartons and paper products	Tonnes	979	717
Glass wine bottles	Tonnes	6,500	4,763
Intensity of consumption of packaging materials	Tonnes/tonne of production output	1.07	0.89

3.4 Environment and natural resources

In response to increasingly stringent policies on environmental protection, the Group is committed to strengthening environmental management to reduce its impact on the environment and natural resources. The Group integrates the concept of environmental and natural resource protection into its internal management and daily operational activities, and strives to ensure that the treatment of waste gas, wastewater and solid wastes is compliant with relevant laws and regulations, and reduce the impact on the surrounding environment and natural resources.

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In addition to complying with the requirements of relevant laws and regulations, the Group also strives to reduce its environmental impact in other aspects. For example, the bottle corks used by the Group is made of dead outer layer of bark, which will not affect the trees' continued growth and at the same time reduce white pollution. While improving production efficiency, the Group actively reduces its impact on the environment, including reasonably arranging production plans and upgrading equipment with lower utilization efficiency in the filling process. The Group obtained a new utility model patent for a filter device for wine processing, which can filter the wine in the recoil filter again to reduce the waste of raw materials. The Group also implements the following environmental protection measures in the office:

- Reuse envelopes, folders, file cards and other stationeries;
- Use recyclable toner;
- Use the projector to display meeting materials and avoid copying;
- Apply electronic communication software for notification to reduce the use of paper for notification documents;
- Adopt e-approval instead of paper forms;
- Install electronic hand dryers to reduce the use of paper towels; and
- Conduct regular paper consumption surveys to monitor the paper consumption and take appropriate improvement measures.

3.5 Addressing climate change

In recent years, climate change has become a major global issue, and the severity of extreme weather conditions arising from climate change is also on the rise, which has brought negative impacts to many corporates. The Group pays close attention to climate change and related incidents, formulates contingency plans for heavily polluted weather. and strives to reduce GHG emissions to slow down climate change. Climate change will affect rainfall patterns and increase the occurrence of extreme weather, which may increase the operating costs of the Group and affect the consumer demand for our products. The Group regularly identifies, evaluates, manages and monitors climate-related risks and assesses the appropriate level of climate-related risks that we can bear. The Group will also evaluate the climate-related risks in the supply chain and identify alternative supply sources, to reduce the impact on the supply chain due to climate change. In addition, the Group also conducts market research to keep abreast of market trends in climate-related matters.

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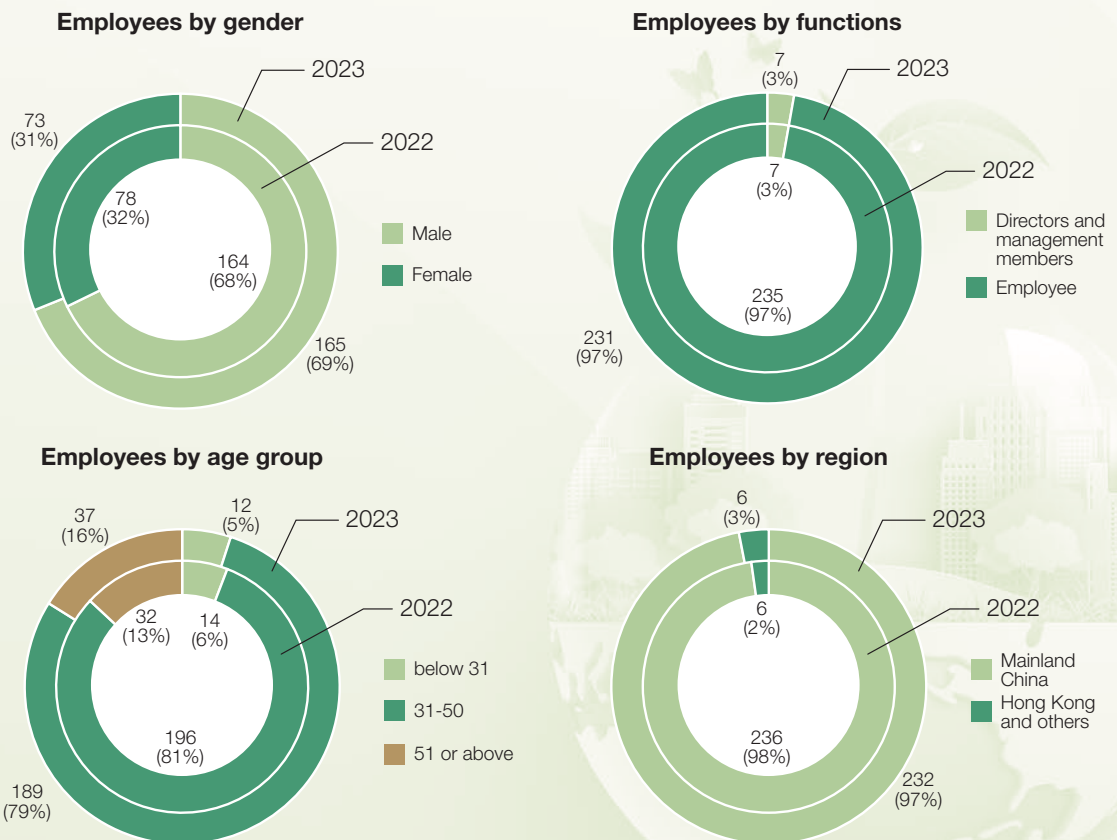
4. EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment practices

The Group regards its employees as its most valuable assets and the core of its competitive advantage. The Group maintains its advantage in human resources by recruiting new employees, developing and retaining staff to support good corporate development. We adhere to the principle of people-oriented, standardise the labour and employment management, and actively protect the occupational health and safety of employees to respect and protect the legitimate rights and interests of each employee.

The Group has strictly complied with the labour-related laws and regulations such as the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China”, the “Regulations on the Administration of Labour and Employment in Tianjin”, and Hong Kong legislations, including the “Employment Ordinance” and “Minimum Wage Ordinance”. The Group has established employee management systems and employment contracts in accordance with local employment laws and regulations and provides various benefits to its employees. During the Year, the Group was not aware of any material non-compliance with laws and regulations governing human resources.

As of 31 December 2023, the Group had a total of 238 employees (2022: 242) and all of them are full-time employees, whose distribution by gender, function, age group and geographical location is as follows:



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During the Year, the Group implemented an employee reform plan last year in response to business development, and provided adequate compensation for employees who had been terminated their employment contracts and retired early. The overall employee turnover rate of the Group is 6% (2022: 5%), and the employee turnover rate by gender, age group and geographical location is as follows:

Employee turnover rate (%)	2023	2022
By gender		
Male	7	5
Female	4	5
By age group		
30 or below	23	14
31-50	3	4
51 or above	14	7
By region		
Mainland China	6	5
Hong Kong and others	0	0

i. Talent selection

The Group strives to recruit and retain high-quality staff to ensure the smooth development of the corporate. For that purpose, it follows an internal recruitment and promotion process to identify suitable candidates for each position. In order to improve recruitment efficiency, the Group formulates human resource plans in accordance with the needs of its corporate development strategies and production and operation objectives. The human resources department will arrange for the recruitment of staff based on the needs of each department. The Group's recruitment exercise comprises internal promotion and external recruitment, and priority will be given to employees who meet the requirements for internal promotion. The Group conducts external recruitment through advertisements, job fairs and campus recruitment, pursuant to which, external applicants are required to undergo screening and interviews to ensure that they have the required competencies for the positions.

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ii. Labour standards

The Group values labour rights and interests and strictly prohibits forced labour and child labour in compliance with regulations, including but not limited to the “Provisions on the Prohibition of Using Child Labour” in the PRC and the “Employment of Children Regulations” in Hong Kong. We require new hires to provide identification documents to confirm that they are of legal working age and to avoid the misuse of child labour. At the same time, to prevent forced labour, we also require employees to sign an employment contract before onboarding, which sets out detailed information on the content of duties, location, working and rest time, salary, benefits, etc. If any child labour or forced labour is found, the Group will terminate the relevant person’s work immediately and investigate on the issue to prevent recurrence.

The Group attaches great importance to maintaining the work-life balance of its employees. For example, we adopt standard working hour system in Mainland China where employees work five days a week and less than eight hours per day. At the same time, the Group does not encourage working overtime. In order to reduce unnecessary overtime, employees who need to work overtime are required to submit an overtime application to the human resources department.

iii. Remuneration and benefits

The Group adheres to the principle of safeguarding the rights and interests of its employees and has established a standardised remuneration system. According to internal and external reference standards and employees’ abilities, experience and contributions, it will determine the competitive salary for them. In addition to basic remuneration, the Group provides employees with overtime subsidies, performance incentives and bonuses for outstanding performance or special contributions to enhance employees’ motivation.

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In accordance with the “Social Insurance Law of the People’s Republic of China”, “Mandatory Provident Fund Schemes Ordinance” of Hong Kong and other relevant laws and regulations, the Group provides social security for its employees in the PRC, including five social insurance and one housing fund (i.e. unemployment insurance, medical insurance, maternity insurance, work-related injury insurance, pension, housing provident fund), and engaged the employees in Hong Kong in the Mandatory Provident Fund Scheme. In addition, we also provide other benefits to our employees in the PRC, including the provision of heat stroke prevention and cooling supplies and festive gifts to our employees in the PRC and medical insurance, festive gifts, team lunches and birthday cakes to our employees in Hong Kong. In addition to statutory holidays, employees are entitled to paid annual leave, family leave, bereavement leave, marriage leave, maternity leave and sick leave, etc. During the Year, the Group encouraged its employees to participate in the badminton tournaments organized by the Group to promote a healthy lifestyle, and held employees collective birthday parties, festive events and knowledge competitions to enrich the after-work life of our employees.



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As a signatory to the Hong Kong Labour Department's Good Employer Charter 2020, the Group is committed to adopting employee-centered and good personnel management practices. The Group is committed to implementing family-friendly employment practices to encourage and promote work-life balance and create a quality working environment for its employees. The Group's efforts in implementing family-friendly employment practices have been recognized, in particular the provision of flexible working arrangements for breastfeeding employees and employees having newborns, and the provision of reasonable leaves and working hours.

In addition, the Group was recognised as the "Good MPF Employer 5+ Years" and awarded the "e-Contribution Award" and the "MPF Support Award" by the Mandatory Provident Fund Schemes Authority of Hong Kong in recognition of its efforts in fulfilling its legal obligations as an employer, providing better retirement benefits to its employees and encouraging the employees to manage their MPF proactively.



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iv. Promotion, development and training

The Group has a clear management basis and process for the promotion, transfer and demotion of employees, as well as a standardised resignation process to protect the interests of both employees and the enterprises. Any promotion or dismissal is based on legitimate grounds, and the Group prohibits any form of illegal or unlawful dismissal. By conducting regular performance appraisals, the Group is able to understand the performance of each employee and the result of such performance appraisals will be used as a reference for promotions. The Group also attaches importance to the development of the potential of its employees by providing them with transfer opportunities based on operational and management needs, their performance, knowledge, abilities and personal aspirations, with a view to achieving the goal of “making the best use of talent and matching their abilities with their jobs” and providing them with greater prospects for growth. Upon receiving the notice of resignation, the Group will interview the employee to find out the reason for resignation and terminate the employee’s contract, transfer social insurance and pay the balance of salary in accordance with regulatory requirements.

The Group has a training management system in place and an annual training plan to provide pre-onboarding and on-the-job training to its employees to effectively enhance their quality and capability. The Group provides all new employees with pre-employment training, which includes training on the Company’s policies and job-related knowledge, to ensure that new employees have the required competencies for relevant positions and can adapt to the work quickly. Transferred employees are also required to undergo technical training to ensure that they are equipped with the skills required for their new positions. The Group also provides on-the-job training to its employees to enhance their job skills and management knowledge according to the needs of business and production development, and the training covers a wide range of areas, including food safety, quality control, production technology and the knowledge of wine, etc. In addition to internal training, the Group organised a number of external training courses during the Year, such as vocational skills certification for sommeliers and winemakers, quality inspection personnel’s testing and laboratory management capabilities, etc. and provided subsidies for external training to enhance the professional competence of its staff.



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The average number of hours of training per employee of the Group was 12.89 hours (2022: 13.50 hours) and the overall percentage of employees trained was 100% (2022: 100%). The average number of hours of training and the percentage of employees trained by gender and occupational function are as follows:

The average number of hours of training per employee and the percentage of employees trained (%)	2023	2022
By gender		
Male	12.20(100)	12.46 (100)
Female	14.44(100)	15.79 (100)
By occupational function		
Management members	18.07(100)	26.29 (100)
Employees	11.68(100)	10.83 (100)

v. **Equal opportunity and anti-discrimination**

The Group strictly abides with the “Special Rules on the Labour Protection of Female Employees” in China, the “Hong Kong Bill of Rights Ordinance” and relevant laws and regulations and does not tolerate any acts of discrimination, harassment or abuse in the workplace. The Group adheres to the principle of equality, eliminates discrimination in the recruitment and operation process, to ensure that no employee is discriminated against by reason of race, gender, age, ethnicity or religion and other factors. 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.

4.2 **Health and safety**

The health and safety of employees is the foundation of the Group’s operations. In view of this, the Group has established a safety policy of “safety first, prevention focus”. The Group strictly complies with national and local laws and regulations relating to labour safety, including but not limited to the “Production Safety Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases”, “Occupational Safety and Health Ordinance” of Hong Kong and the Occupational Health and Safety Guidelines by the Labour Department of Hong Kong.

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The Group did not record any accidents that resulted in death in the past three years. During the Year, the Group had 2 cases of work-related injury (2022: 0), and the total number of working days lost due to work-related injuries for all employees was 40 days (2022: 0 day).

i. Production safety, investigation on potential hazards and emergency response system

In order to implement production safety in an effective and comprehensive manner, the Group has formulated a production safety responsibility system, under which representatives from different departments are appointed to form a production safety committee. The production safety committee is responsible for preparing emergency rescue plans for production safety accidents, organising drills and exercises, conducting safety inspections, investigating hidden hazards and supervising rectification, reporting production accidents, setting annual production safety goals, and holding monthly production safety meetings to study and guide the safety production of all units and departments. The production safety responsibility system clearly defines the responsibilities of each employee or department concerned, and the production safety committee helps the Group to monitor the production safety and to allocate safety tasks to each department and unit so that all employees can work together to achieve production safety goals. The Group arranges for management-level personnel and employees in higher safety risk positions to sign a production safety responsibility letter, which sets out the safety production policy, safety production objectives and safety production commitment, in order to raise the safety awareness of employees.

In order to systematically prevent production safety accidents, the Group has established a management system of production safety inspection and investigation on potential hazards in accordance with the “Production Safety Law of the People’s Republic of China”, requiring management at all levels to investigate and manage potential hazards in all units and departments under their supervision. The Group conducts a variety of inspections, including comprehensive, specialised, seasonal, holiday and daily inspections, as required by the system. All units and departments are also required to record, report and manage potential hazards on regular working days. With the cooperation of staff at all levels, we are able to identify and manage potential safety hazards to reduce the occurrence of production accidents and ensure the safety of employees.

In addition, the Group has prepared a comprehensive emergency response plan for production safety accidents in accordance with the “Emergency Response Law of the People’s Republic of China” and other relevant laws and regulations, so as to effectively respond to production safety accidents. The Group has put in place a well-developed emergency response system structure, and formulated response plans for various potential accidents, including hydrogen sulfide poisoning accidents, electric shock accidents, fire accidents and special equipment accidents, based on the identified sources of danger and the types of accidents and risks and hazards that may occur. The Group has also implemented emergency management, including emergency command centres and on-site handling leading teams in the event of an accident for allocating and directing rescue and aftermath work, in order to systematically respond to all kinds of accidents and minimize losses.

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ii. Health management of employees

The Group has established a clear health management system for production line employees in order to understand their health conditions and prevent work-related injuries at the earliest possible time, and requires production line employees to undergo a health examination once a year and obtain a health certificate before performing their duties. In addition, the Group has formulated a management system for labour protection gears according to the “Provisions on the Supervision and Administration of Labour Protection Articles” in China and provides employees with labour protection equipment with product certificates and instructions based on the need of their positions, for the purpose of protecting their health and safety.

iii. Education and training

The Group provides safety knowledge training to enhance employees’ knowledge on safety. New employees must qualify for the safety education before performing their duties, and the time spent on safety education should be no less than 24 hours. The training includes laws, regulations and standards related to safety production and occupational health, general safety and technical knowledge, production characteristics, accident cases, safety production and occupational health management rules and regulations, safety precautions, occupational health and occupational disease prevention, etc. During the Year, employees underwent training on safety production systems and fire safety. At the same time, the Group provides safety training on the hazards that current employees may face at work. For example, the Group provided training on fire safety and production safety during the Year, including organizing all middle-level executives and the persons-in-charge of its subsidiaries to participate in video conferences and deploy safety work, conducting inspections on fire safety and production safety and requesting for rectification, and organizing various activities, such as fire warning education, fire emergency evacuation drills and fire safety training, in order to provide employees with work-related fire safety knowledge, and prevent and minimize the hazards caused by accidents. The Group also informs employees of safety inspections, statistics on occupational injuries and illnesses and other safety-related matters, and conducts a variety of emergency drills on a regular basis, such as rescue and fire escape drills in accordance with emergency plans to enhance employees’ safety awareness.



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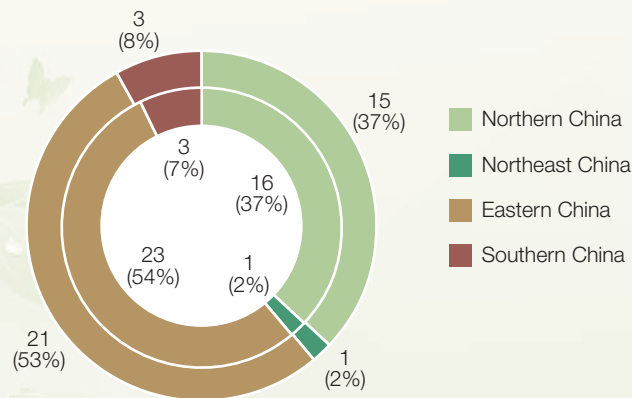
5. OPERATING PRACTICES

5.1 Supply chain management

Excellent supply chain management is an important part of the Group's efforts to produce high-quality products. The Group has established a fair, transparent and systematic supplier selection process to improve product quality. During the Year, the Group was not aware of any non-compliance incident related to supply chain management.

The Group has established a supplier review system for systematic supply chain management. In selecting new suppliers, the Group will evaluate the performance of candidate suppliers in terms of production scale, production capacity, testing capability, quality management system, product quality certification and other factors. After the qualifications of the candidate suppliers are verified, we will make small purchases during the one-year inspection period to ensure product quality. The Group will also conduct an annual assessment of existing suppliers and score them on various aspects such as quality of supply, delivery time, price and services. Suppliers which are qualified will be included in the list of qualified suppliers, and those unqualified will be eliminated. All suppliers that the Group cooperates with are in compliance with the Group's systems and requirements, and maintain good cooperative relationships. During the Year, the Group had 40 major suppliers (2022: 43), and the number of major suppliers by regions is as follows:

Major suppliers by region



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As raw materials are critical to product quality, the Group has developed different requirements for specific purchases in order to ensure the quality of raw materials. For materials having direct contact with wine, the Group has set stringent requirements on the factory inspection reports, packaging and transportation methods of suppliers, including the identification of raw materials with clear product name, expiry date, storage temperature, etc., and confirmation that the storage and packaging of raw materials can properly maintain the quality. At the same time, to ensure that the supplier has conducted a satisfactory inspection, the Group will verify whether the supplier's calibration records of inspection, measuring and testing equipment are complete upon receipt of goods. The Group will also reject goods that do not meet the requirements under the non-conformity management system, and return goods or replace them with satisfactory goods, as part of its efforts to ensure the quality of products.

The Group promotes the principle of green procurement and has given preference to suppliers that are closer in proximity when selecting suppliers, thus reducing the transportation lead time for procured parts and helping to reduce the environmental impact in the supply chain. At the same time, the Group has considered the environmental impacts of products in its procurement process and selected products with lower environmental impacts, such as those with energy efficiency labels and water efficiency labels, where applicable.

In addition, the Group takes environmental and social risks in the supply chain seriously and has regularly reviewed updates of local policies and regulations related to the supply chain, and communicated with internal and external stakeholders to understand and identify potential environmental and social risks related to the supply chain. In selecting suppliers, the Group has given preference to suppliers that are internationally certified or accredited in environmental and social aspects such as energy, safety and anti-corruption.

5.2 Product quality management

As a wine producer, the Group's product will have a direct effect on the health of its customers. Therefore, the Group attaches great importance to the quality of its products. The Group strictly complies with relevant laws and regulations, including but not limited to the "Food Safety Law of the People's Republic of China", "General Hygiene Practice for Food Production" and the "Food Safety Ordinance" of Hong Kong, and is committed to providing high quality, safe and hygienic products to its customers. In addition to monitoring the quality of the raw materials supplied by its suppliers, we have also established management and control system for product quality and food safety to manage the production process and safety of its products.

Under the product quality and food safety management and control system, each department has a certified food safety manager who is responsible for implementing measures on quality and food safety. Staff responsible for key positions in food safety-related production, quality, skills and inspection must be qualified and receive regular food safety training. The Group has established a health management system for production line employees and requires them to undergo health checks once a year. For the sake of food safety, if an employee is found to have an infectious disease or skin disease during a health screening, the employee will be reassigned to a post that does not involve contact with food production or other work that does not affect food safety.

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The premises and equipment of product production and storage are also an important part of efforts to ensure product quality. Different functional departments are responsible for different aspects of food safety management during procurement, transportation, storage, etc. The Group has also established requirements and regulations for production sites and equipment, including the factory environment, warehouses, production equipment and facilities, cleaning and disinfection systems, etc., to ensure environmental hygiene and cleanliness and to avoid contamination of products. At the same time, the Group has established systems for raw and auxiliary material control, process technology management, production hygiene management and production process control to ensure food safety from raw and auxiliary materials to the production process. The production process of wine involves a number of steps. The Group monitors and inspects each step in the production process, and conducts tests in its in-house laboratory and entrusts qualified inspection agencies to carry out inspection, ensuring that the products comply with standards and regulatory requirements. The Group also carries out batch management of raw wines, products and materials at all stages of the production process to ensure effective product traceability. After the wine is made, the Group will carry out a thorough physical and chemical test, and only after all the indicators have been passed will the process of sterilization, filtering and bottle filling be commenced. For the packed finished wine, the Group arranges inspectors to perform visual inspections to ensure that the products meet the packaging requirements.

For the finished and bottled wines, the Group has established regulations for the storage and warehousing of the products to manage the quality of the finished products. The Group has standardised the management of the finished wine warehouse and formulated corresponding systems and requirements for the storage, transportation, entry and exit of finished wine to ensure the quality and safety of the finished wine. In order to manage our products systematically, we have set up comprehensive record requirements for our products and require our staff to keep records of the storage, transportation, entry and exit of finished wine. When the products are shipped out of the warehouse, the Group also requires its staff to keep electronic records of the products, recording information such as the production date, product name, batch number, quantity and inspection certificate number, which will facilitate quick reference in the future, meet the requirements of food safety traceability and ensure product safety. In addition, for the transportation and delivery of products, we provide transportation and sales personnel with guidelines for the transportation and delivery process to reduce the risk of product quality problems due to improper transportation or methods of delivery.

For raw materials, semi-finished products and products that do not meet the requirements in terms of packaging, storage, production methods and quality, the Group will issue a notice of non-conformity, and label and handle them. The quality control department will hold quality meetings from time to time to analyse the causes of non-conforming products, take corrective measures, and if necessary, revise relevant guideline documents and provide relevant training for employees to prevent the recurrence of related quality problems. At the same time, the Group has assigned food safety officers and formed self-inspection teams in the production workshops of each department to conduct regular quality inspections to minimize the occurrence of quality problems.

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In order to ensure product quality, the Group has established a return and replacement process for products that meet the return and replacement category and have completed the identification for return and replacement. The Group has also formulated an unsafe food recall management system in accordance with the “Administrative Measures for Food Recalls” to safeguard the health and safety of its customers. The Group has set up a recall team, which is responsible for recalling unsafe food products that have come to the Group’s attention through self-inspection and self-examination, complaints or reports from the public, and notification from operators and supervisory authorities. During the recall process, the recall team will communicate, and report with the Group’s general manager, the district market supervisory authority or the State Administration for Market Regulation as necessary or make announcements to properly and effectively conduct the recall.

During the Year, the Group did not receive any incidents of unsafe food-related to the Group, nor were there any product recalls due to health and safety concerns.

5.3 Customer service

The Group attaches great importance to customer service and believes that feedbacks from customers forms part of the foundation for the Group to make improvement and progress. The Group collects customer complaints through distributors and customer service hotline, responds actively to them and makes improvements. The Group also has a product recall and traceability system to ensure product quality and customer safety.

The Group conducts an annual customer satisfaction survey to analyse the satisfaction of new customers and customers with high purchase volumes of its products. The Group will analyse complaints and comments from customers, suppliers and partners, and take appropriate measures to make improvements. The Group also attaches great importance to the sales approach of its products. Therefore, the Group will assess the marketing strategies and reputation of distributors and will only select distributors with good sales practices. The Group will also manage and monitor the performance of its distributors to ensure that customers receive quality service in the purchasing process.

During the Year, the Group received four complaints regarding the moisture and wear and tear on the outer cartons of the products during transportation and immediately reshipped the products upon receipt of complaints and investigated the cause of the incidents to prevent the recurrence of the same incidents.

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5.4 Business ethics

The Group is committed to maintaining business ethics in its business operations, attaches importance to information management, privacy protection and product information requirements, strictly complies with relevant laws and regulations, strives to operate in a manner that does not harm the interests of others, and actively minimizes the risk of damage to the Group's interests.

i. Information management and privacy protection

The Group strictly complies with relevant laws and regulations on privacy protection, including but not limited to the "Regulations of the People's Republic of China for Safety Protection of Computer Information Systems" and the "Personal Data (Privacy) Ordinance" of Hong Kong. The Group respects and is committed to safeguarding customer information and will only use the information collected for the purpose for which the customer has given prior authorisation. The Group has formulated a server and server room security management system to strengthen the security management of the server and ensure the safe and stable operation of the information system by standardising information storage, data backup, maintenance and failure management. In addition, the Group has established a computer security management system to manage the use of employees' computers, including confidentiality and virus protection to reduce the risk of information leakage.

In order to protect customer information and trade secrets, the Group requires employees who come into contact with such information to sign a confidentiality agreement, undertaking to keep such information confidential during their employment and after leaving the Group. The customer data collected by the Group is confidential and only used by designated employees with authorisation. Employees are prohibited from disclosing confidential information without permission, and relevant employees who violate the rules will be demoted, transferred, suspended or face salary cuts to enhance information protection.

ii. Advertising, labelling and sales

The Group strictly complies with the "Advertising Law of the People's Republic of China", the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests", the "Trade Descriptions Ordinance" and the "Food and Drugs (Composition and Labelling) Regulations" of Hong Kong and other relevant laws and regulations in relation to food advertising and labelling. The Group avoids the use of inappropriate or exaggerated promotional techniques in the design of advertising content, and ensures that advertisements and product labels comply with the relevant legal requirements in the jurisdictions where they are sold in order to protect the interests of consumers. As for sales activities, the Group provided sales knowledge training to sales staff during the Year to prevent any irregularities in sales and promotions and to provide the best quality services to customers.

During the Year, the Group did not receive any illegal or non-compliant matters relating to advertising, labelling and sales activities.

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5.5 Anti-corruption

The Group is committed to creating a clean corporate culture and attaches great importance to the fight against corruption and the promotion of probity. The Group adopts a zero-tolerance attitude towards the acts of corruption and bribery and strictly complies with relevant laws and regulations such as the “Criminal Law of the People’s Republic of China”, the “Anti-Unfair Competition Law of the People’s Republic of China”, the “Anti-Money Laundering Law of the People’s Republic of China” and the “Prevention of Bribery Ordinance” of Hong Kong, prohibiting any employee from engaging in acts of bribery, embezzlement or money laundering to prevent corruption and bribery. We will terminate the employment contract with any employee who is involved in bribes or corruption.

The Group has established the code of conduct, which specifies the standards of conduct for directors and employees on policies in relation to accepting advantages and declaration conflicts of interest, with efforts to prevent corruption. Meanwhile, the Group has established the principle of avoidance, which prohibits the recruitment of immediate family members of middle-level and above employees, and prohibits middle-level and above employees from transferring their relatives to work within their own supervision. Employees who already have kinship are not allowed to work in the same position. For the purpose of reducing the risk of corruption, employees should also avoid any interest in business-related entities. In addition, the Group’s leaders and cadre-level employees are required to comply with the “Disciplinary Provisions of Nine Forbidden Behaviours for the Leaders and Cadres of Tianjin Food Group System”, which specifies the integrity requirements for the management, such as not using their positions to seek personal gain. The Group has established channels such as report mailbox, hotline and email for employees to report in order to effectively prevent corruption. It also publishes information on anti-corruption education from time to time through the Company’s WeChat official account, and conducts anti-corruption education seminars to raise the anti-corruption awareness of its employees. The Group will impose organisational discipline or take disciplinary actions against employees who violate the disciplinary regulations, while those suspected of violating the law and committing crimes will be referred to the relevant authorities and may be subject to prosecution for their legal responsibilities in accordance with the law. During the Year, the Group arranged an anti-corruption training for Directors and held one session for middle-level employees of the head office and members of the leadership team of its subsidiaries by watching warning education videos collectively in order to enhance the awareness of anti-corruption. A total of 50 participants attended the training, with a total training time of 100 hours. (2022: 1 session).

During the Year, the Group did not receive any lawsuit alleging corruption against the Group or its employees, nor was there any anti-corruption related irregularities involved or discovered.

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6. INNOVATION AND INTELLECTUAL PROPERTY RIGHTS

6.1 Research and development (“R&D”) project

The Group regards R&D and innovation as a significant part for maintaining its competitiveness, with commitments to developing new products, improving production techniques as well as R&D of production technology. During the Year, the Group developed a total of 28 new products including upgraded version of the Golden Dynasty series, the FU character series, the Constellation series, the Ecological series, and the Dragon Zodiac wines, which have been launched to the market. In addition to the newly-developed products, the Group continued to improve its product development technologies, such as the purification of distilled spirits from distillation towers and the improvement of taste through various process improvements. We also tested a variety of auxiliary materials and conducted the technical R&D and stockpiling on products, to reduce production costs and enhance product quality and meet market needs.



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6.2 Protection of intellectual property rights and trademark

With continuous investment in R&D, the Group has developed a number of new technologies or device designs every year. With a view to maintaining its competitive position and safeguarding its interests, the Group applied to the China National Intellectual Property Administration (CNIPA) for patents in accordance with the “Patent Law of the People’s Republic of China” and the “Patents Ordinance” of Hong Kong. During the Year, the Group obtained 7 patents in total, including 6 utility model patents and 1 design patent, which mainly are design patents such as wine bottles and wine gift boxes, and new utility model patents such as wine production devices, with commitments to safeguarding its own rights and interests.

While safeguarding its own intellectual property rights, the Group will never infringe the copyright of the commodities of other individuals or other enterprises. The Group also values its own trademark protection and actively abides by relevant laws and regulations including but not limited to the “Trademark Law of the People’s Republic of China” and the “Trade Marks Ordinance” of Hong Kong. When purchasing packaging materials, the Group will clearly set out in contracts the period and scope of the supplier’s use of the Group’s trademarks, to prevent misapplication, therefore safeguarding the Group’s interests.



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7. COMMUNITY INVESTMENT

The Group proactively fulfills its corporate social responsibilities, while promoting economic development and caring a lot about the needs of special groups and communities in the society, so as to grow hand in hand with the community. The Group encourages employees to participate in various charitable activities and contribute to social development. In March 2023, the Group carried out the “Learning from Lei Feng in March, Planting Trees for a Greener Community” event in Beichen District, Tianjin. During the event, volunteers increased the green coverage of the community by planting trees, thus improving the ecological environment and raising awareness among the community members about environmental protection.



Environmental, Social and Governance Report

8. VERIFICATION STATEMENT



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信永方略可持續發展諮詢服務有限公司
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SHINEWING Sustainability Advisory Services Limited (“**SHINEWING Sustainability**”) has been engaged by Dynasty Fine Wines Group Limited (HKSE Stock Code: 00828) and its subsidiaries (collectively referred to as “**Dynasty**”) to undertake an independent verification on Environmental, Social and Governance Report 2023 (“**ESG Report**”). The ESG Report set out the environmental and social performance of the Dynasty from 1 January 2023 to 31 December 2023; and has been prepared in accordance with the requirements of Appendix C2 – “Environmental, Social and Governance Reporting Guide” of the Rules Governing the Listing of Securities” of the Stock Exchange of Hong Kong (“**ESG Reporting Guide**”).

Objective

This independent verification statement is solely for the use of the stakeholders and management personnel of Dynasty. The statement has been prepared in English and Chinese versions. Should there be any discrepancies between these versions, the English version shall prevail.

Responsibilities of Dynasty

Dynasty is responsible for the data collection, calculation, making estimates and preparation of the ESG Report. Dynasty is also responsible for implementing sound internal control procedures to ensure the content and presentation of the ESG Report are free from material errors.

Responsibilities of SHINEWING Sustainability

SHINEWING sustainability is responsible to provide an independent verification statement to stakeholders based on the scope and methodology described. We do not assume responsibility or accept liability to any other person for the contents of this report.

Independence

SHINEWING Sustainability is independent to Dynasty. There is no relationship between SHINEWING Sustainability and Dynasty beyond the contractual agreement for providing the verification service.

Environmental, Social and Governance Report



SHINEWING
Sustainability Advisory Services Limited
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Inherent Limitation

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. Further, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Scope

The scope of the verification statement is limited to the data and information in the ESG Report. Dynasty selected several specified performance information in the ESG Report for the verification purpose, which included the Scope 1&2 greenhouse gases¹, use of resources data² (collectively referred to as “**Specified Performance Information**”) set out in the ESG Report.

Methodology

The verification is with reference to (i) AA1000 AS v3, Type 2 Engagement and Moderate Level of Assurance; (ii) ESG Reporting Guide; and (iii) SHINEWING Sustainability Procedures of Verification on ESG and Sustainability Report.

Within the scope of our work, SHINEWING Sustainability performed amongst others the following procedures:

- Review the preparation process of the ESG Report, including stakeholders engagement and materiality assessment.
- Verify the system and process of collection, analysis and reporting of selected data.
- Interview the manager responsible for sustainability performance and data collection.
- Verify the samples of the representative data and information selected, including review on conversion data and calculation as well as inspect the original data and supporting evidence of the data selected during the verification process.
- Assess whether the preparation of the ESG Report by Dynasty responded to the principles of Inclusivity, Materiality, Responsiveness, and Impact as defined in the AA1000 AS v3.

¹ Refer to Greenhouse Gas (“GHG”) Emissions Section of the ESG Report : Data of Greenhouse Gas Emission

² Refer to Use of Resources Section of the ESG Report: Data of Resources Use

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Conclusion

With reference to the AA1000 AS v3 principles of Inclusivity, Materiality, Responsiveness and Impact, our conclusions are as follows:

- **Inclusivity:** Dynasty has identified key stakeholders and has understood stakeholders' needs and concerned issues through various forms of stakeholder engagement. Dynasty has demonstrated that their formulation of policies accounted for stakeholders' expectations and their impacts.
- **Materiality:** Dynasty has accounted for stakeholders' needs and concerned issues, and has disclosed identified material issues based on its unique business characteristics, legal and regulatory requirements, economic, environmental and social impacts, etc. Dynasty has disclosed the methodology, process and outcome of the assessment on material issues.
- **Responsiveness:** Dynasty has established communication channels for its stakeholders to understand their concerns and expectations. Meanwhile, through the ESG Report, Dynasty has disclosed corporate sustainability strategies, management systems, management key points, key stakeholder participation activities as well as major sustainability development related issues to respond to key stakeholders.
- **Impact:** Dynasty has considered and evaluated its impacts by integrating ESG concepts into daily operations and realised its impacts on stakeholders, so as to make a more effective business decision-making and result-based management within the organisation.
- **Specified Performance Information:** Based on the procedures that SHINEWING Sustainability has performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Specified Performance Information is not reliable or is not in the quality of the basis of reporting as set out in the ESG Report.

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About SHINEWING Sustainability

SHINEWING Sustainability has studied, standardized and verified corporate environmental performance data since 2016. SHINEWING's Sustainability team possesses relevant professional technical capability and experience. The relevant personnel received professional training regarding sustainability standards such as GRI Sustainability Reporting Standards issued by Global Reporting Initiative, AA1000 AS v3, ESG Reporting Guide, ISO 14064 and PAS2600.

SHINEWING Sustainability Advisory Services Limited
Hong Kong
27th March, 2024



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9. CONTENT INDEX OF “ESG REPORTING GUIDE”

ESG Indicator	Reporting Guide	Section	Page
A. Environment			
Aspect A1			
Emissions			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Standards and goals of environmental protection management; Emissions	8, 9
KPI A1.1	The types of emissions and respective emissions data.	Environment – Emissions	9
KPI A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions	9
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions	9
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions	9
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment – Standards and goals of environmental protection management; Emissions	8, 9
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment – Standards and goals of environmental protection management; Emissions	8, 9

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A. Environment			
Aspect A2		Use of Resources	
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Use of resources	13
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000 s) and intensity (e.g. per unit of production volume, per facility).	Environment – Use of resources	13
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment – Use of resources	13
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment – Standards and goals of environmental protection management; Use of resources	8, 13
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment – Standards and goals of environmental protection management; Use of resources	8, 13
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment – Use of resources	13

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Aspect A3	The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's material impact on the environment and natural resources.	Environment – Environment and natural resources	17
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Environment and natural resources	17
Aspect A4	Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment – Addressing climate change	18
KPI 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.	Environment – Addressing climate change	18



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B. Social			
Employment and Labour Practices			
Aspect B1	Employment		
General disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Employment and Labour Practices – Employment practices	19
KPI B1.1	Total workforce by gender, employment type (for example, full-or part time), age group and geographical region.	Employment and Labour Practices – Employment practices	19
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices – Employment practices	19

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Employment and Labour Practices			
Aspect B2 Health and Safety			
General disclosure	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.	Employment and Labour Practices – Health and safety	25
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employment and Labour Practices – Health and safety	25
KPI B2.2	Lost days due to work injury.	Employment and Labour Practices – Health and safety	25
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employment and Labour Practices – Health and safety	25

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General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices – Employment practices	19
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employment and Labour Practices – Employment practices	19
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employment and Labour Practices – Employment practices	19
Aspect B4		Labour Standards	
General disclosure	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 labour.	Employment and Labour Practices – Employment practices	19
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Practices – Employment practices	19
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Practices – Employment practices	19

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General disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply chain management	28
KPI B5.1	Number of suppliers by geographical region.	Operating Practices – Supply chain management	28
KPI 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.	Operating Practices – Supply chain management	28
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply chain management	28
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply chain management	28



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B. Social			
Operating Practices			
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 significant 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>	<p>Operating Practices – Customer service; Business ethics</p>	31, 32
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practices – Product quality management	29
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operating Practices – Customer service	31
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Innovation and Intellectual Property Rights – R&D project; Protection of intellectual property rights and trademark	34, 35
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Product quality management	29
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices – Business ethics	32

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B. Social			
Operating Practices			
Aspect B7		Anti-corruption	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices – Anti-corruption	33
KPI 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.	Operating Practices – Anti-corruption	33
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operating Practices – Anti-corruption	33
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operating Practices – Anti-corruption	33
Community			
Aspect B8		Community Investment	
General disclosure	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.	Community Investment	36
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	36
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	36