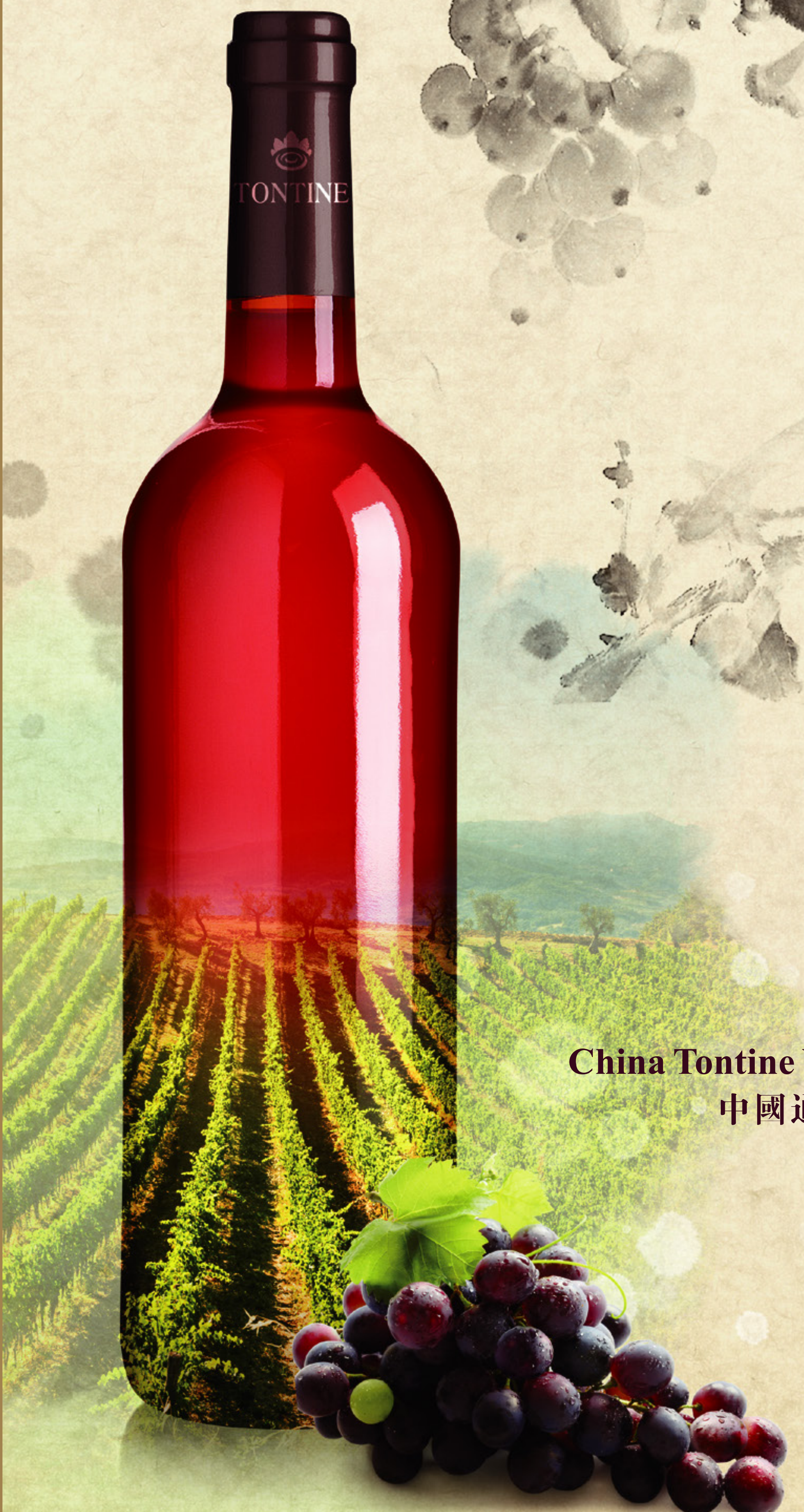


TONTINE

China Tontine Wines Group Limited
中國通天酒業集團有限公司

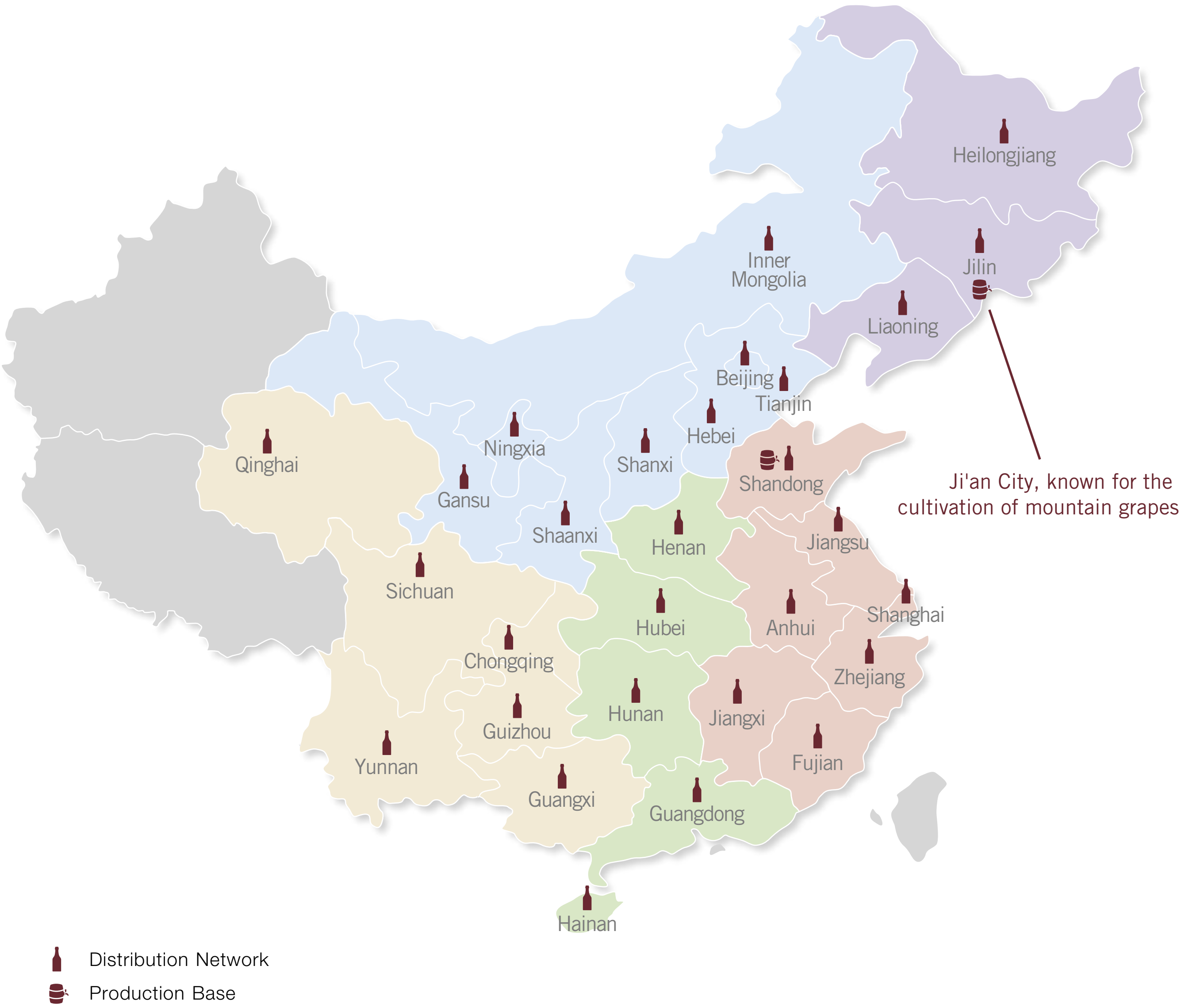
(Incorporated in Bermuda with limited liability)

Stock Code: 389

ANNUAL REPORT

2015

China Tontine Wines Group Limited
2015 Production base and distribution network



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Financial Highlights

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profitability data					
Revenue	**293,689**	286,320	175,996	658,111	830,084
Gross profit (loss)	**95,784**	24,942	(90,147)	331,211	479,086
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company	**6,850**	(658,968)	(503,856)	88,868	188,835
Earnings (losses) per share					
– Basic *(RMB cents) (Note 1)*	**0.34**	(32.7)	(25.0)	4.4	9.4
– Diluted *(RMB cents) (Note 2)*	**0.34**	(32.7)	(25.0)	4.4	9.4

	Year ended 31 December				
	2015	2014	2013	2012	2011
Profitability ratios					
Gross profit (loss) margin	**32.6%**	8.7%	(51.2%)	50.3%	57.7%
Net profit (loss) margin	**2.3%**	(230.2%)	(286.3%)	13.5%	22.7%
Effective tax rate	**N/A**	N/A	N/A	37.3%	35%
Return on equity *(Note 3)*	**1.0%**	(64.7%)	(31.5%)	4.9%	11.0%
Return on assets *(Note 4)*	**0.8%**	(54.7%)	(28.6%)	4.6%	10.2%
Operating ratios (as a percentage of revenue)					
Advertising and marketing expenses	**4.8%**	53.8%	122.1%	15.6%	8.5%
Staff costs	**9.5%**	10.4%	12.5%	5.8%	4.3%
Research and development	**0%**	2.9%	5.7%	0.8%	0.3%

Notes:

1. The calculation of basic earnings (losses) per share is based on the profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the relevant period.

2. The calculation of diluted earnings per share for the year ended 31 December 2011 does not assume the exercise of the Company's share options as the exercise price of those share options granted during the year ended 31 December 2010 was higher than the average market price per share from the date of grant to 31 December 2012.

3. Return on equity is equal to the profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company divided by the average balance of total equity attributable to owners of the Company as at the beginning of each year and as at the end of each year.

4. Return on assets is equal to the profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company divided by the average balance of total assets as at the beginning of each year and as at the end of each year.

Financial Highlights

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities data					
Non-current assets	**202,511**	214,295	714,375	458,318	320,364
Current assets	**619,790**	605,263	876,871	1,448,969	1,625,852
Current liabilities	**52,631**	63,319	71,135	41,022	110,017
Non-current liability	**–**	–	23,015	41,707	34,707
Shareholders' equity	**695,584**	688,734	1,347,702	1,851,558	1,801,492
Non-controlling interests	**74,086**	67,505	149,394	–	–

	Year ended 31 December				
	2015	2014	2013	2012	2011
Other key financial ratios and information					
Current ratios *(Note 5)*	**11.8**	9.6	12.3	35.3	14.8
Quick ratios *(Note 6)*	**5.8**	4.6	8.7	29.1	13.0
Gearing ratio *(Note 7)*	**–**	–	–	–	–
Net asset value per share *(RMB) (Note 8)*	**0.35**	0.34	0.7	0.9	0.9
Inventory turnover days *(days) (Note 9)*	**717**	462	391	330	282
Trade receivables turnover days *(days) (Note 10)*	**113**	100	142	63	60
Trade payables turnover days *(days) (Note 11)*	**33**	26	16	24	33

Notes:

5. Current ratio equals current assets divided by current liabilities as at the end of each year.

6. Quick ratio equals current assets minus inventory, divided by current liabilities as at the end of each year.

7. Gearing ratio equals the debts incurred in the ordinary course of business divided by total assets as at the end of each year.

8. The calculation of net asset value per share is based on the total number of shares in issue at the end of the year.

9. Inventory turnover days are computed by dividing the average of the beginning and closing inventory balance in the respective financial year by cost of sales (excluding consumption tax and other taxes) and multiplied by 365 days.

10. Trade receivables turnover days are computed by dividing the average of the beginning and closing trade receivables balance in the respective financial year by revenue and multiplied by 365 days.

11. Trade payables turnover days are computed by dividing the average of the beginning and closing trade payables balance in the respective financial year by cost of sales (excluding consumption tax and other taxes) and multiplied by 365 days.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Guangyuan
Mr. Zhang Hebin
Ms. Wang Lijuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sih Wai Kin, Daniel
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang (appointed on 15 January 2016)
Mr. Li Changgao (resigned on 15 January 2016)

COMPANY SECRETARY

Mr. Wong Kwok Kuen *CPA*

AUDIT COMMITTEE

Mr. Sih Wai Kin, Daniel *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang (appointed on 15 January 2016)
Mr. Li Changgao (resigned on 15 January 2016)

REMUNERATION COMMITTEE

Mr. Sih Wai Kin, Daniel *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang (appointed on 15 January 2016)
Mr. Li Changgao (resigned on 15 January 2016)

NOMINATION COMMITTEE

Mr. Lai Chi Keung, Albert *(Chairman)*
Mr. Wang Guangyuan
Mr. Yang Qiang (appointed on 15 January 2016)
Mr. Li Changgao (resigned on 15 January 2016)

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Mr. Wong Kwok Kuen

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CorporateLink Limited

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http://www.tontine-wines.com.hk
(information on the website does not form part of this annual report)

SHARE INFORMATION

Listing date: 19 November 2009
Stock name: Tontine Wines
Number of issued shares as at 31 December 2015: 2,013,018,000 shares
Board lot: 2,000 shares

STOCK CODE

389

FINANCIAL YEAR-END DATE

31 December

Chairman's Statement

Dear all shareholders,

During the year under review, macroeconomic environment was impacted by various factors. Domestic economic growth slowed down, causing an adverse influence on retail consumer market. The government carried out austerity policies resolutely and fought against corruption continuously, thereby affecting luxury goods consumption and consumption on high-end wine to some extent. On the one hand, the high-end grape wine market is experiencing intense adjustments. On the other hand, China's middle class is expanding, the standard of living among the general public has been improved, and there has been an increase in awareness in the society for pursuing a healthier lifestyle. Grape wines with pricing affordable to the general public have become popular, and these mid-and low-end grape wines have gradually been seen as the mainstream products driving the demand in the red wine market.

Demand coming from the general public has substituted that from commercial and business sector, and the general public has become the mainstream customers for the domestic grape wine market. China's grape wine industry has changed their business strategies from focusing on high-end consumers, who look at the featured brands and vintage year of the wines to satisfying the daily catering needs of the general public, who are rational in their spending.

The Group's 2015 results exhibited an encouraging turnaround. After making provision for certain projects in 2013 and 2014, the Group's financial position was strengthened. On the operation front, the Group's management made positive realignment to the marketing strategy and product portfolio, so as to cope with changes in the market trend. We do not only cut expenditures in marketing and promotional activities, but also optimize product portfolio by shifting the sales focus to middle and low price sweet wine in order to cater the demand from the general public. The above mentioned measures improved the Group's result performance substantially.

During the year under review, the Group's revenue amounted to RMB293.7 million representing a modest increase of approximately 2.6% compared with last year. However, its gross profit rose nearly three times from that of last year. The overall performance showed a turnaround. Compared with a net loss over RMB600 million in the previous year, the year under review saw net profits of RMB6.85 million. This reflected the right direction and favorable results arising from the management's efforts in controlling cost and adjusting product portfolio.

The Baiyanghe wine production base in Yantai, acquired by the Group in December 2013, made contribution during the period under review after two years of operation and restructuring of its business model. Investment in Baiyanghe base marks the Group's important deployment for wine product diversification. White wine with high alcohol content and brandy produced by the Baiyanghe base has helped the Group expand its business scope into domestic spirit market. The base now owns over 100 wine products, thus enriching the grape wine product series of the Group.

During the year under review, the Group launched 33 new products, which is a step that helps us further diversify our product type and customer group. As for sale network building, the Group continued to optimize traditional sales channel, and added 19 regional distributors during the year under review, bringing the total number of distributors to 154, covering 22 provinces, 3 autonomous regions and 4 municipal cities.

Meanwhile, the Group also actively expands and develops e-commerce sales model combined with on-line sales driving off-line sales. In addition to cooperating with large scale e-commerce platform in the wine industry, the Group also established research and development team for its own on-line platform during the year under review so as to fully develop the business functions of e-commerce model, and to further achieve diversified distribution channel and increase sales coverage.

Our products won several awards during the year under review. The Group's star product "Tongtian Yaaru Wine Spirits 2013" won the gold medal in the "Spirits Selection by Concours Mondial de Bruxelles 2015", "Xuanniya Ice White Grape Wine" won the "Special Award of DSW China Fine Wine" in "The Second China Fine Wine Challenge 2015", and "Tongtian Liqueur Mountain Grape Wine" won "China Wine Market Golden Goat Award 2015". These awards showed that the quality and feature of our Group's products are gradually gaining wide recognition in domestic and foreign markets. Such honours are helpful to improve the Group's reputation and marketability of our products.

In terms of capacity, the production facilities of the Group's Yantai Baiyanghe base recorded a sharp gain in output during the review period from the previous year. On the other hand, Jilin Tongtian Winery has completed calibration. The Group will, depending on its marketing strategy, gradually raise the output of various wine products from two wineries. Huge production capacity and abundant grape resources owned by these two wineries will provide stable and reliable support to the Group's further expansion.

In the short term, high-end grape wine sector will still be in deep adjustment phase. However, along with the continuous rise in Chinese residents' income level and demand for better quality of life, potential market demand for grape wine products targeting the general public consumption remains huge. Chinese grape wine industry, in the past three years, had been experiencing fierce competition. The industry had been constantly eliminating the weak in favour of the strong. Now, the industry has gradually entered into a stable development. The retail price for low and middle end price wine product is stable, and overall inventory of distributors has been adjusted to a basically reasonable level. The consumption structure of grape wine market gradually becomes rational. The industry prospect has becomes more clear, and it provides the Group with an ideal room for development.

Chairman's Statement

In response to current grape wine market trend, the Group will strive to develop low and middle-end products, and increase market shares of the Group in the popular grape wine market. These moves are aimed at enhancing the Group's earning power. In tandem with diversifying product categories, the Group will also focus on exploring the demands from different customer groups, and carrying out product strategy targeted at the youth market. The Group remains focused on its development direction, implements micromanagement on the Group's resources, and monitors the Group's financial position strictly. In addition, the Group will continue to enrich product portfolio, and meet different consumers' demand. Currently, the Group's products cover full-series of wine products including spirit, white wine, sweet wine and dry wine, white grape wine and ice wine, as well as high-end red wine imported from France. The Group will further deepen brand building, in a bid to establish unique market positioning in the wine industry.

Finally, on behalf of the Board, I would like to express my deepest gratitude to our shareholders, business partners and customers for their continuous trust and support over the past years. I would also like to thank all the staff for their hard work and contribution. Facing the challenges and opportunities, the Group will continue to work hard to create better returns for our shareholders.

Wang Guangyuan
Chairman
24 March 2016

2015 Key Events

Tongtian Yaaru Wine Spirits won the gold medal in the **"Spirits Selection by Concours Mondial de Bruxelles 2015"**

Xuanniya Ice White Grape Wine won the **"Special Award of DSW China Fine Wine"** in **"The Second China Fine Wine Challenge 2015"**

Wang Guangyuan (Chairman and Chief Executive Officer of China Tontine Wines Group Limited) was awarded the **"Marketing Leader Award for 20-Year Circulation of China Wines Products"**

Tongtian Liqueur Mountain Grape Wine won the **"China Wine Market Golden Goat Award 2015"**

INDUSTRY OVERVIEW

In 2015, the growth rate of China's GDP further slowed down to approximately 6.9%, which was the lowest growth rate in the last 25 years. The fact that growth in Chinese economy becomes moderate also directs the domestic consumption behavior to be more rational. The retail sales of consumer goods in real terms in 2015 increased by approximately 10.7% year-on-year. This growth rate was basically equal to that in 2014. Influenced by the Central Government's call on anti-corruption and different anti-corruption measures being in place and the subsisting low domestic consumption on luxury goods, the red wine industry has also been affected. The mode of consumption of red wine in the past was predominantly for business and commercial purposes and primarily targeted on high-end red wine products with a gradual transition to mid- and low-end products by the general public. Among the imported products, the mid- and low-end products are the majority. Although there is a huge market for mid- and low-end products, the competition in the red wine industry has become fierce because a wide variety of red wine products, both produced domestically or imported from overseas, are offered for the customers to choose from. Although the domestic red wine industry, like other industries, are affected by economic, political factors and other uncertainties, taking into account that the Chinese annual average personal consumption of red wine being far lower than of the world average, the year-on-year increase in the annual per capita disposable income of Chinese urban residents, the general public's pursuit of a higher quality of living, and the domestic red wine industry becoming more and more mature, it is believed that the future prospect of the domestic red wine industry is still promising and has potential for growth.

FINANCIAL REVIEW

During the year ended 31 December 2015, the Group's revenue increased by approximately 2.6% as compared with previous year to approximately RMB293,689,000. The net profit attributable to owners of the Company amounted to approximately RMB6,850,000, compared with a loss of RMB658,968,000 in the previous year, representing a substantial turn-around in earnings performance. Basic earnings per share during the year ended 31 December 2015 was approximately RMB0.34 cent (2014: losses per share of RMB32.7 cents). Overall gross profit increased by 284.0% year-on-year to approximately RMB95,784,000. The Group's operation performed remarkably well, benefiting primarily from increasing sales through enriching product mix, expanding sales channels and exercising excellent cost control. These control measures included actively reducing selling and distribution expenses and striving for cutting administrative expenses, thus enhancing operation efficiency.

During the year ended 31 December 2015, the Group continued to optimize operations, actively realigned business deployment and product mix. The management strengthened the production and sales of the low-to mid end wine products to meet the demand from the general public. The Group had focused on improving product quality and widening product range during the year. In addition, the Group continued to launch innovative sales strategies, including packaging customization service for festive season. These new services brought in a revenue of approximately RMB12,590,000 to the Group.

Revenue performance

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB293,689,000 representing an annual growth rate of 2.6%. The Chinese Government continued to implement anti-corruption measures and called on thrift model of consumption. The grape wine consumption shifted to products which match the affordability of the general public. The Group's revenue of sweet wine products increased stably during the year ended 31 December 2015. The Group's high-end dry wine products contracted, including a slight drop in the sales of "Cordes" 「卡圖磨坊」, "Falyia" 「法萊雅」 and other series of high-end products. For other products, sales of brandy recorded an increase, compared with the previous year, but the sales of white wine (including white grape wine) decreased from the previous year, these two product lines accounted for relative low weighting of total revenue.

Cost of sales

The total cost of sales of the Group during the year ended 31 December 2015 decreased sharply by 24.3% year-on-year to RMB197,905,000. This was attributable to a reduction in the costly market promotional activities, thereby trimming production overheads significantly. The production overheads decreased significantly by 63.6% year-on-year to RMB11,488,000. On the other hand, a drop in wine output during the year led to a decrease in the total raw materials cost by 24.0% to RMB148,291,000.

Major raw materials required for producing wine products are grapes, grape juice, yeast and additives and packaging materials, such as bottles, bottle caps, labels, corks, and packaging boxes. During the year ended 31 December 2015, raw materials accounted for approximately 74.9% of the Group's total cost of sales, basically in line with the proportion of the cost of raw materials in the total cost of sales, which was 74.6% in 2014.

Supply of grapes

Production of quality grape wine products is highly dependent upon sufficient supply of quality grapes and grape juice. During the year ended 31 December 2015, the Group had sourced supply of grapes from 285 local grape farmer suppliers, whose vineyards are located in the regions around Ji'An City, Jilin Province, the PRC at the foothills of the Changbai mountain range on the banks of the Yalu river. We have entered into a 20 year long-term contract with each of our grape farmer suppliers in order to secure reliable and stable supplies of quality grapes to meet our needs. To enhance the quality management, our vineyard management team supervises the planting, nurturing and harvesting of the grapevines.

During the year ended 31 December 2015, the Group's grape juice supplies came from the PRC and France and the Group had also imported grape wines from France (e.g. "Cordes"「卡圖磨坊」, "Falyia"「法萊雅」, etc.). The Group has kept identifying new grape farmers, grape juice and imported grape wine suppliers, which manage to meet our quality requirements. This approach strengthens the quality and stability of the supply chain, thereby meeting the production needs of our business as well as our expanded production capacity,

We conduct thorough tests on the grapes, grape juice and imported grape wines from suppliers. These procedures ensure that we procure quality grape farmers, grape juice and imported grape wine suppliers.

The following table sets forth the costs required for production of the Group in 2015:

	2015 ***(RMB'000)***	2014 *(RMB'000)*	Change %
Raw materials			
– Grapes and grape juice	**69,229**	103,864	-33.3%
– Yeast and other additives	**5,892**	9,130	-35.5%
– Packaging materials	**71,724**	81,130	-11.6%
– Others	**1,446**	1,012	+42.9%
Total raw material cost	**148,291**	195,136	-24.0%
Production overheads	**11,488**	31,520	-63.6%
Consumption tax and other taxes	**38,126**	34,722	+9.8%
Total cost of sales	**197,905**	261,378	-24.3%

Gross profit, gross profit margin and earnings before interest, tax, depreciation and amortisation (EBITDA)

During the year ended 31 December 2015, the Group delivered excellent performance in overall gross profit and overall gross profit margin. The gross profit increased strongly by 284.0% year-on-year to approximately RMB95,784,000. The gross profit margin also rose substantially by 23.9 percentage points year-on-year to 32.6%.

Considerable growth in gross profit and gross profit margin mainly benefited from the Group's strict cost control, timely adjustment of marketing strategies in response to market changes, and elimination of most of the expensive product promotional activities. Compared to promotion expenses of approximately RMB65,699,000 in 2014, no such expense was recorded during the year ended 31 December 2015.

The following table sets forth the details of the gross profit and the gross profit margin of the Group during the year ended 31 December 2015 with 2014 comparison:

	2015	2014	Compared with the previous year
Gross profit *(RMB'000)*	**95,784**	24,942	+284.0%
Gross profit margin	**32.6%**	8.7%	+23.9 percentage points

EBITDA, which reflects the Group's cash flow during the year ended 31 December 2015, was RMB24,171,000, compared with a loss of RMB169,474,000 in the previous year. This represented a sharp improvement from the previous year, and provided positive cash inflow to the Group. Such a performance was mainly attributable to a huge drop in advertisement expenditures and research and development ("R&D") expenses. The Group adjusted its advertisement strategies in 2015 by focusing on appropriate market exposure. This led to advertising and promotion expenses declining to approximately RMB14,001,000, which was far lower than RMB153,959,000 recorded in 2014. In addition, the Group also substantially reduced R&D expenses in 2015.

The following table sets forth the details in EBITDA during the year ended 31 December 2015:

	2015	2014	Compared with last year
EBITDA *(RMB'000)*	**24,171**	-169,474	Not Applicable
Rate of EBITDA	**8.2%**	Not Applicable	Not Applicable

Profit attributable to owners of the Company

During the year ended 31 December 2015, the profit attributable to owners of the Company was RMB6,850,000, as compared with a loss of RMB658,968,000 for the same period last year, representing a substantial turnaround in earnings performance. This was mainly attributable to the absence of impairment provision and effective cost saving measures as mentioned above during the year.

OPERATION REVIEW

To consolidate the Group's position in the wine market, the Group adjusted actively its marketing strategies in 2015 to develop sweet wine products to cater for the tastes and consumption preferences of the general public towards sweet wine products.

Sweet wine products with low gross profit margin accounted for 50.4% of the total revenue in 2015. Dry wine accounted for 38.8% of the total revenue. These two product lines accounted for 89.2% of the total revenue in 2015. Revenue from brandy increased by 25.7% year-on-year, but accounted for only 2.4% of total revenue. White wine accounted for 8.4% of total revenue. Both of dry wine and white wine are high-end products with high gross profit margin, but the revenue of these two product lines declined slightly during the year ended 31 December 2015.

During the year ended 31 December 2015, the Group launched 33 new products generating a revenue of approximately RMB11,845,000 and accounting for 4.0% of the total revenue in 2015. The proportion was not high, but it reflected the Group's determination to adopt an innovative business approach. Among these new products, 18 products were from sweet red wine with revenue of RMB7,940,000; 10 products from dry wine with revenue of RMB2,542,000; 5 products from white wine with revenue of RMB1,363,000. The Group has been successful in meeting diverse consumer demand with a wide range of products. The Group undertook to develop customized packaging products for festive season during the year. This innovative marketing approach helped cater for specific needs of different market segments and promote awareness of our brands among the customers.

The following table shows the Group's revenue of various products during the year ended 31 December 2015:

	2015		2014		
	Revenue *(RMB'000)*	**Percentage of total revenue**	Revenue *(RMB'000)*	Percentage of total revenue	Revenue Change %
Sweet wines	**148,028**	**50.4%**	139,636	48.8%	+6.0%
Dry wines	**113,995**	**38.8%**	115,281	40.2%	-1.1%
Brandy	**7,047**	**2.4%**	5,605	2.0%	+25.7%
White wines (including white grape wines)	**24,619**	**8.4%**	25,798	9.0%	-4.6%
Total	**293,689**	**100.0%**	286,320	100.0%	+2.6%

Sales volume and average selling price performance

Due to the dominance of medium to low-end products in the market place, the Group adjusted product prices to target at the demand of mainstream customer groups during the year ended 31 December 2015. The Group's total sales volume increased by 4.7% year-on-year to 16,868 tonnes. As a result of a change in product mix, the average price per tonne declined by 2.0% year-on-year to RMB17,411.

The average price per tonne for sweet wine, brandy, white wine (including white grape wine) recorded an increase from the previous year. Among them, average price per tonne for sweet wine, which accounted for the largest weighting in sales volume, increased by 1.0% year-on-year . Average price per tonne for dry wine decreased from the previous year, reflecting that the high-end market had experienced shrinkage, and the demand remained stagnant.

The following table sets forth the Group's volume and average selling price of products sold during the year ended 31 December 2015:

	2015		2014		
	Total sales *(tonne)*	**Average sales price per tonne *(RMB'000/ tonne)***	Total sales *(tonne)*	Average sales price per tonne *(RMB'000/ tonne)*	Changes in average sales price per tonne %
Sweet wines	**10,842**	**13.6**	10,326	13.5	+1.0%
Dry wines	**4,808**	**23.7**	4,587	25.1	-5.7%
Brandy	**433**	**16.3**	359	15.6	+4.2%
White wines (including white grape wines)	**785**	**31.4**	839	30.8	+2.0%
Total	**16,868**	**17.4**	16,111	17.8	-2.0%

Selling and distribution network

The Group sells substantially all of its products to distributors, who distribute and sell such grape wine products to third-party retailers, including supermarkets, and specialty stores selling tobacco and alcohol, food and beverage outlets such as restaurants and hotel restaurants, as well as through their own direct sales distribution to end-consumers and other sub-distributors.

The Group constantly reviews the performance of these distributors. As at 31 December 2015, the Group's products were sold through 154 distributors (an increase of 19 distributors over 2014) in 22 provinces, 3 autonomous regions and 4 municipal cities in the PRC. All distributors are independent third parties and are generally engaged in the business of distributing and selling of grape wine products.

The Group enters into a standard distribution agreement with each of its selected distributors for a period of one year and following successful negotiation between the parties upon the expiry of the existing distribution agreements, the Group will renew such agreements with distributors each year. In order to facilitate and assist the marketing and sale of the Group's products by its distributors, the Group bears the delivery costs and implements advertising strategies primarily through television commercials and billboards to emphasize the health benefits of moderate consumption of grape wines in order to establish consumer loyalty and strengthen the popularity of its products.

For online sales, the Group's major partner was Jiuxian Wang (酒仙網) during the year ended 31 December 2015. The proportion of total revenue on online sales was not high in 2015, but the Group considered online sales as a channel of huge potential. The Group established a R&D team for its online platform during the year to explore more possibilities by effectively using e-business model, with an aim to achieving more diversified distribution channel and enlarging marketing coverage.

Production capacity

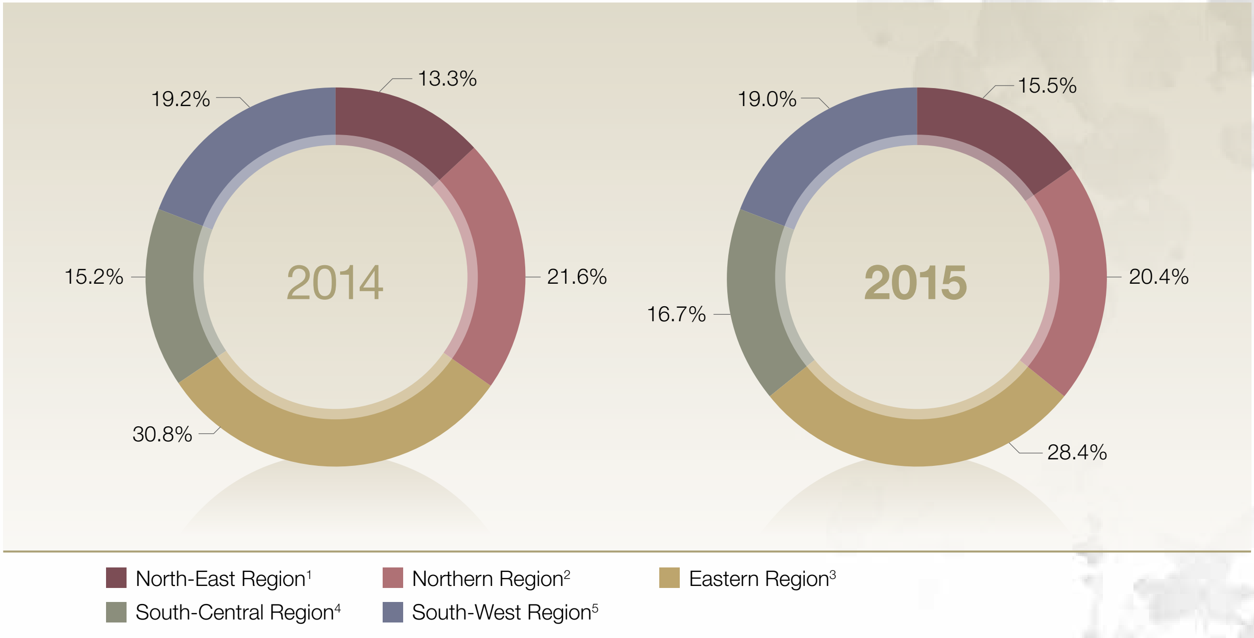
During the year ended 31 December 2015, the Group's production bases in Tonghua, Jilin and Yantai Baiyanghe, Shandong produced a total of 16,651 tonnes of wine products, which represented a decrease of 17.8% from the same period in the previous year because of industry consolidation and changes of market landscape. Moreover, the Group's optimisation of product portfolio further affected the output mix. The output of the Group's product base in Tonghua, Jilin was 11,581 tonnes, representing a decrease of 29.5% as compared with the same period in the previous year, while the production of Yantai Baiyanghe base increased by 32.7%, reflecting favourable results of a series of restructuring measures upon the Group's acquisition of this base. The sales-output ratio was 98.7% in 2015, reflecting equilibrium in production and sales.

Regional market performance

In terms of regional revenue, the Eastern region and the Northern region are still the major markets of the Group, but revenue from the two regions dropped respectively 5.4% and 2.8% year-on-year, thus causing its weighting to the Group's revenue decreased by 2.4 percentage points to 28.4% and by 1.2 percentage points to 20.4%, respectively. The Eastern region is still the largest market of the Group, with the presence of the largest number of distributors. This region covers several relatively rich provinces in China, and the per capita income level is relatively high. Relative to other alcoholic drinks, wine products have gained higher acceptance in this region. As this region accounted for a relatively high proportion of high-end wine consumption in China, sales suffered from pronounced set back during times of industry consolidation.

In the South-West region, its weighting to the Group's revenue was 19%, down slightly from the 2014 level. The revenue in the South Central region and the North-East region respectively gained a growth of 12.6% and 19.3%, thereby bringing in an increase by 1.5 percentage points to 16.7% and by 2.2 percentage points to 15.5% for its weighting to the Group's revenue respectively in the two regions. It indicated that the sales contributed by each regional market have become balanced.

Regional market income distribution



1. **North-East Region** includes the Provinces of Heilongjiang, Jilin and Liaoning.
2. **Northern Region** includes the Provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.
3. **Eastern Region** includes the Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang and city of Shanghai.
4. **South-Central Region** includes the Provinces of Guangdong, Hainan, Henan, Hubei and Hunan.
5. **South-West Region** includes the Provinces of Guizhou, Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.

BUSINESS INDICATOR REVIEW

Inventory analysis

The inventory of the Group was RMB312,719,000 by the end of the year, and about RMB250,391,000 was derived from work in progress. The inventory at the end of 2014 amounted to RMB315,185,000. The Group deployed the improvement work at the vineyard in the Jilin Province during the year ended 31 December 2015, and various production materials were needed in the plantation for future production. However, due to the decrease of cost of sales during the year ended 31 December 2015, the inventory turnover days on average reached 717 days, which was a significant increase from the previous year.

Trade account receivables analysis

The Group's trade account receivables turnover days during the year ended 31 December 2015, when comparing to the previous year, increased slightly to 113 days. Due to a slow down in repayment from business partners and a lack of promotional activities in stimulating distributors' orders, the trade receivables turnover days slightly increased during the year ended 31 December 2015. Nevertheless, the Group recorded no overdue trade account receivables at the end of 2015.

OPERATION ANALYSIS BY PRODUCT

Sweet wines

Sweet wine was the product line with the largest output and sales of the Group during the year ended 31 December 2015. Its sales revenue in 2015 totalled RMB148,028,000, representing an increase of 6.0% compared with the previous year. This was mainly due to abundant demands for popular products. Its gross profit was RMB32,695,000, which was a big turnaround from the gross loss of RMB317,000 in 2014 caused by the two-for-one promotional activities. Sweet wine business accounted for 34.1% of the overall gross profit of the Group in 2015. As this product line was targeted at the popular market, its gross profit margin was relatively low, standing at approximately 22.1%.

During the year ended 31 December 2015, the Group launched 18 types of new sweet wine in total in order to meet the growing market demands for popular products. Among them, "Tongtian Liqueur Mountain Grape Wine" 「通天利口山葡萄酒」 won the "China Wine Market Golden Goat Award 2015"「2015年度中國葡萄酒市場金羊金獎」.

Product diversification is one of the Group's distinctive features. As at 31 December 2015, the Group marketed 46 types of sweet wine in total to satisfy the demands for different consumer segments.

Dry wines

The sales revenue of dry wine amounted to RMB113,995,000 during the year ended 31 December 2015, representing a drop of 1.1% from the previous year, indicating that high-end products were affected by the industry consolidation. The gross profit margin of the dry wine product line increased sharply to 43.6%. This was mainly due to a drop in the cost of sales. Moreover, the gross profit contribution of dry wine increased by nearly 150.0% from the previous year to about RMB49,743,000. Despite a significant increase in the gross profit of the dry wine product line, its proportion to the overall gross profit dropped from 79.8% in 2014 to 51.9% in 2015 because of a rise in the weighting of sweet wine in the Group.

With the change of market demands, the Group timely adjusted its marketing strategy by broadening the sales channel. Furthermore, the Group suspended costly promotional activities in 2015 with no impact on sales performance. This also aided the increase in the gross profit.

During the year ended 31 December 2015, the Group marketed 89 types of dry wine products in order to satisfy the demands for different consumer segments.

Brandy

During the year ended 31 December 2015, the Group's sales revenue of brandy increased by 25.7% to RMB7,047,000 from the year-ago period, indicating the growing popularity of brandy in the market. This product line contributed gross profit of RMB1,884,000 representing an increase of 223.6% from the same period of previous year. Its gross profit margin reached 26.7%, up 16.3 percentage points from the previous year. However, its proportion to the overall gross profit was approximately 2.0%.

The increase in the gross profit of brandy products was due to an absence of promotional activities notably the "Buy-two-get-one-free" for the product "Xuanniya Brandy 38°"「軒妮雅白蘭地38°」, thus saving the promotion expenses. Furthermore, the sales volume and selling price of the brandy products manufactured by "Yantai Baiyanghe Winery Co., Ltd.*"「烟台白洋河釀酒酒有限責任公司」 ("Yantai Baiyanghe"), increased during the year ended 31 December 2015, and considerable potential is expected from this product line.

White wines

During the year ended 31 December 2015, the sales revenue of white wine totalled RMB24,619,000, which represented a drop of 4.6% from the previous year. The Group's white wine business contributed RMB11,462,000 of gross profit, representing an increase of 140.2% from the previous year, and the gross profit margin also soared to 46.6%. This was mainly because of the suspension of the relatively costly "Buy-one-get-one-free" promotional activity for "Tongtian Yaaru Wine"「雅羅白」 and the "Buy-two-get-one-free" promotional activity for the other two grape wines, namely, Ice White Grape Wine and Dry White Grape Wine. In 2014, the cost of the promotion was about RMB4,427,000. During the year, white wine products took up 12.0% of the total gross profit, which was lower than in 2014, and accounted for 19.1% of the total gross profit.

The Group's white wine products also gained several awards in the year. "Tongtian Yaaru Wine Spirits 2013"「雅羅白」 won the gold medal in the "Spirits Selection by Concurs Mondial de Bruxelles 2015", and the "Xuanniya Ice White Grape Wine"「軒妮雅冰白葡萄酒」won the "Special Award of DSW China Fine Wine" in "The Second China Fine Wine Challenge 2015".

BUSINESS PROSPECTS

In the short term, the China's red wine market will continue experiencing consolidation and will likely eliminate the weak with the stronger to survive, and the consumption pattern of red wine is also changing. Red wine consumption has turned more popular and common in daily life, and the market is also inclined to consume medium and low price products which suit the preference of the public. The Group adapts to market changes by timely adjustment of its strategies. The Group has been dedicated to developing sweet wine products, optimizing product mix, and broadening its product lines actively to meet with the demands of different market niches. It has also launched products that cater for young consumer's preference.

To meet the needs of different markets and consumers, the Group provided packaging customized services in 2015, thus offering value-added services to customers. The group plans to expand and optimize such services in 2016 with a view of providing high-quality products and innovative personalized services to consumers.

As the young people of the 1980s and 1990s generations have gradually become the main force of wine consumption, the Group will enlarge product mix, and launch wine products timely in a bid to fit the tastes of young generations and tailor-make for their specific needs.

The Group also plans to develop a branded high end vineyard with wholly owned plantation based in Jilin Tongtian Winery, and produces high and mid-grade products with a fully integrated production all the way from growing grapes to brewing wine. Apart from extending production line, the Groups also expects to deepen brand building and gradually establishes a unique brand in the industry, thus supporting the sustainable development of the Group's business.

White wine products, such as white grape wine and kaoliang spirit, have been favoured by domestic consumers, and the gross profit margins of these products are also higher than other wine products. Therefore, the Group will explore the feasibility of merging other developing white wine enterprises. Moreover, the Group is also considering participating in high quality wine production bases so as to meet with the needs of its continuously expanding product portfolio.

The Group pays great attention to distributors' sales performance record and creditability, and selects distributors in accordance with their sales network, promotion measures, credibility, inventory accumulation and other indicators for performance check. In the meantime, the Group spares no efforts in widening self-developed sales network and platform. In future, the Group will develop vigorously online sales platform, and carry out online shopping platforms with proprietary design, operation and management. Therefore, it can shorten the distance between consumers and the Group, thereby improving the efficiency of sales, and reducing sales cost.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). Also, the Group's cash and cash equivalents were mostly denominated in RMB. Accordingly, there has been no significant exposure to foreign exchange fluctuation.

In view of the minimal foreign currency exchange risk, the Directors would closely monitor the foreign currency movement instead of entering into any foreign exchange hedge arrangement.

The Group will continue to pursue a prudent treasury management policy and is in a strong liquidity position with sufficient cash to cope with daily operations and future development demands for capital.

With strong cash and bank balances, the Group is in a net cash position and is thus exposed to minimal financial risk on interest rate fluctuation.

LIQUIDITY AND FINANCIAL RESOURCES

In 2014 and 2015, our working capital was healthy and positive and we generally financed our operation with internal cash flows generated from operations for the past years. As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB201,942,000. The Group has sufficient financial resources and a strong cash position for satisfying working capital requirements of business development, operations and capital expenditures.

Capital commitments and charges on assets

As at 31 December 2015, the Group made capital expenditure commitments including approximately RMB74,089,000 that was authorised but not contracted for and approximately RMB22,744,000 contracted but not provided in the consolidated financial statements. These capital commitments were provided by cash generated from operations.

As at 31 December 2015, none of the Group's assets was pledged (2014: nil).

REMUNERATION POLICY, EMPLOYMENT BENEFITS AND SHARE OPTION SCHEME

Quality and dedicated staff are our most important assets and are indispensable to our success in the competitive market. As part of our corporate culture, we strive to ensure a strong team spirit among our employees for them to contribute towards our corporate objectives. In achieving the goal, we offer competitive remuneration packages commensurate with the industry level and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits to the employees in Hong Kong and in the PRC. A share option scheme has also been adopted with a primary purpose of motivating our employees to optimize their contributions to the Group and to reward them for their performance and dedications. Employees are encouraged to enroll in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group reviews its human resources and remuneration policies periodically with reference to local legislation, market conditions, industry practice and assessment of the performance of the Group and individual employees (including Directors). As at 31 December 2015, the Group employed a work force of 368 (including Directors and 191 staff of Yantai Baiyanghe) in Hong Kong and in the PRC (2014: 584). The total salaries and related costs (including the Directors' fee) for the year ended 31 December 2015 amounted to approximately RMB27,857,000 (2014: RMB29,883,000).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015. (2014: Nil).

EXECUTIVE DIRECTORS

Mr. Wang Guangyuan (王光遠), aged 54, was appointed as our executive Director on 8 September 2008. He is also the chairman and a member of the nomination committee of our Board and the chief executive officer of our Company. Mr. Wang is one of the founding management team members of Tonghua Tongtian Winery Co., Ltd ("Tonghua Tongtian") since its establishment in 2001. He is responsible for overall business strategy and development and management of our Group. Prior to establishing our Group, from November 1986 to August 2000, he served with Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange, and in September 1995 he was promoted as a deputy general manager. Mr. Wang is currently a member of the People's Representative of Tonghua City 6th People's Congress (通化市第六屆人民代表大會代表) and Tonghua County 16th People's Congress (通化縣第十六屆人民代表大會代表), the Vice Chairman of Tonghua County Industry and Commerce Association (通化縣工商業聯合會) and Tonghua County Non-government Commerce Chamber (通化縣民間商會), a standing director of Tonghua City Young Entrepreneurs Association (通化市青年企業家協會常務理事), and a member of the 10th Executive Committee of Jilin Provincial Young Entrepreneurs (吉林省青年聯合會第十屆委員會). Mr. Wang was awarded as the "Outstanding Worker of Tonghua County 1996-2001" (1996-2001年通化縣勞動模範) by People's Government of Tonghua County (通化縣人民政府) in October 2002. He was also conferred the title of "Excellent Sales Manager" (優秀銷售總經理) jointly by China Winery Industry Association Grape Wine Sub-branch (中國釀酒工業協會葡萄酒分會) and China Agriculture Association Grape Sub-branch (中國農學會葡萄分會) in June 2006. He was certified as a senior economist by the Ministry of Finance of the PRC (中華人民共和國財政部) on 29 May 2003. Mr. Wang obtained a bachelor's degree of business management from Jilin University (吉林大學) in July 1993. Mr. Wang is the brother of Ms. Wang Lijuan, an executive Director of our Company, and Ms. Wang Lijun, a deputy general manager of our Company.

Mr. Wang is beneficially interested in the entire issued share capital of Up Mount International Limited ("Up Mount"), a controlling shareholder of our Company, and is also a director of Up Mount.

Mr. Zhang Hebin (張和彬), aged 55, was appointed as our executive Director on 8 September 2008. He is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. Prior to May 2011, he was primarily responsible for sales, marketing and products promotion of our Group. Since May 2011, he has assumed responsibility for and is in charge of the merger and acquisition activities of our Group. Prior to joining our Group, from April 1984 to August 2000, he worked with Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange, and in February 1986, he was promoted as a district sales manager. He obtained a junior college diploma of economic management from the Party School of Jilin Province Government (吉林省黨委校) and graduated in July 1991.

Mr. Zhang is beneficially interested in the entire issued share capital of Wing Move Group Limited ("Wing Move"), a 6.58% shareholder of the Company, and is also a director of Wing Move.

Ms. Wang Lijuan (王麗娟), aged 58, was appointed as our executive Director on 17 December 2008, and is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. She is responsible for overall administration and human resource matters of our Group. Prior to joining our Group, from December 1985 to August 2000, she worked at the Industry and Commerce Bank of China Tonghua Branch, and in April 1990, she was promoted to be a branch administrative manager. She has been nominated as a member of the 8th Tonghua County's People's Political Consultative Conference (通化縣政協委員) in November 2006. She obtained a junior college diploma of accounting from Liaoning University (遼寧大學) in July 1990. Ms. Wang is the sister of Mr. Wang, the chairman of our Board and chief executive officer and an executive Director of our Company, and Ms. Wang Lijun, a deputy general manager of our Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sih Wai Kin, Daniel (薛偉健), aged 48, was appointed as our independent non-executive Director on 28 October 2009. He is also the chairman of the audit committee and the remuneration committee of our Board. Mr. Sih majored in Finance and Economics at the University of Western Ontario, Canada and graduated with a degree in Bachelor of Arts (administrative and commercial studies) in October 1989. He obtained the Mandatory Provident Fund Intermediary Certificate from the Mandatory Provident Fund Schemes Authority in January 2008. Mr. Sih was also certified in November 2011 as a certified public accountant by the Montana Board of Public Accountants (MBPA), Montana State, USA. During the early period of his career, Mr. Sih had worked in the department of assurance and advisory business services of Ernst and Young (Hong Kong) and was then promoted as a manager responsible for conducting statutory audit and handling internal control engagements for companies listed or proposed to seek flotation in Hong Kong. He had also subsequently worked for, and held important positions in reputable companies in the financial industry in Hong Kong including Convoy Asset Management Limited (to which he was accredited and licenced under the SFO to carry on (i) Type 4 regulated activity (advising on securities) from 11 November 2004 to 18 June 2010 and (ii) Type 1 regulated activity (dealing in securities) from 18 June 2010 to 10 January 2011) and Manulife Asset Management (Hong Kong) Limited (to which he was accredited and licenced under the SFO to carry on Type 1 regulated activity (dealing in securities) from 6 April 2011 to 28 June 2013) and responsible for, among others, accounting and financial/treasury management; as well as providing consultation and recommendation in the areas of financial planning, market analysis and wealth management.

Mr. Lai Chi Keung, Albert (黎志強), aged 54, was appointed as our independent non-executive Director on 28 October 2009. He is also the chairman of the nomination committee, as well as a member of the audit committee and the remuneration committee of our Board. Mr. Lai has over 30 years' experience in the jewelry industry. He had worked for and held key management positions in various established jewelry companies, both listed and private, in Hong Kong and overseas. Mr. Lai has rich experience in sales management, marketing, distribution channel and resource planning strategies.

Mr. Yang Qiang (楊強), aged 55, was appointed as our independent non-executive Director on 15 January 2016. He is also a member of the audit committee, the remuneration committee and the nomination committee of our Board. Mr. Yang holds a bachelor degree in mechanical engineering from Beijing Institute of Technology (北京理工大學). He is experienced in the wine industry in the PRC and has been serving as the secretary of the expert committee of the Grape and Fruit Wine of the China National Food Industry Association* (中國食品工業協會葡萄酒、果酒專家委員會) for many years.

* *For identification purposes only*

SENIOR MANAGEMENT

Mr. Wang Xiaoming (王曉鳴), aged 47, is the president of our Group in charge of the overall sales and operations for our Group in the PRC. Mr. Wang joined our Group in May 2011. He holds a post-graduate diploma in Chinese Studies from the Hunan City College (湖南城市學院) and was appointed as a MBA (Master and Business Administration) tutor for its MBA program (with an emphasis on sales and marketing) by the Graduate School of the Chinese Academy of Sciences (中國科學院研究生院), the PRC in October 2007. Mr. Wang is a senior economist in economic management. He has over 10 years' extensive and practical experience in sales planning, marketing, as well as corporate and operational management in the winery industry in the PRC. Mr. Wang was awarded with the "Outstanding Contribution Award in Grape and Grape Wine Industry" (葡萄與葡萄酒行業傑出貢獻獎) jointly by the China Winery Industry Association Grape Wine Sub-branch (中國釀酒工業協會葡萄酒分會) and the China Agriculture Association Grape Sub-branch (中國農學會葡萄分會) in June 2006.

Ms. Ji Chunhua (紀春花), aged 54, is the chief winemaker of our Company, and is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. She is responsible for product development, production and quality control. Prior to joining our Group, from May 1979 to August 2000, Ms. Ji worked as a technician in Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange and she was promoted as the head of the technical department in August 1988. She has been a member of Tonghua City Wine Jury Panel (通化縣葡萄酒、果酒評委) since March 1988 as well as a member of the 4th National Jury Panel for grape (fruit) wine (第四屆葡萄酒(果酒)國家評委) from 2007 to 2012. Ms. Ji was also a member of Jilin Province Jury Panel for Fruit and Grape Wine (吉林省果、葡萄酒評委) from 1990 to 1993. She has been awarded as "Excellent Wine Maker" (優秀釀酒師) jointly by China Winery Industry Association Grape Wine Sub-branch (中國釀酒工業協會葡萄酒分會) and China Agriculture Association Grape Sub-branch (中國農學會葡萄分會) in June 2006. She was also awarded as the "Most Charming China Wine Angel 2008" (最具魅力中國葡萄酒天使) by Huaxia Wine News (華夏酒報) in June 2008. Ms. Ji attended a training course on quality supervision on wine at Chengdu Technology University (成都科技大學) from January 1991 to March 1991. She graduated from Jilin Television University (吉林廣播電視大學) with a junior college diploma of enterprise management degree in July 1994.

Mr. Yu Dazhou (于大洲), aged 60, is the vineyard manager and winemaker of our Company and he joined our Group in August 2003. He is responsible for overseeing and managing the vineyards of the local grape farmers whom we have entered into long-term contracts with, in order to ensure optimal quality control throughout the entire growing, nurturing and harvesting stages of grape growing as well as the early production stage of base wine production from freshly harvested grapes. From May 1979 to December 1997, Mr. Yu worked at Ji'An Winery Factory (集安葡萄酒廠), and he was promoted to a deputy general manger in July 1988 and was responsible for technology. Mr. Yu worked in Ji'an Forestry Winery Factory (集安森林葡萄酒廠) from 1997 until it was acquired by our Group in 2003. Mr. Yu was appointed as a member of the 2nd National Jury Panel for Wine (第二屆果酒國家資格評委) since December 1995 for five years by China National Food Industry Association (中國食品工業協會). He graduated from Tianjin Light Industry College (天津輕工業學院) with a junior college diploma of food in July 1991.

Mr. Sun Yankun (孫延坤), aged 59, is a deputy general manager of our Company and is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. He is responsible for our procurement and logistics. From December 1978 to August 2000, Mr. Sun served in Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange and in October 1997, he was promoted to the position of division chief in charge of raw materials and supply procurement. He graduated from Tonghua City No.11 High School (通化市第十一中學) in 1974.

Ms. Wang Lijun (王麗君), aged 48, is a deputy general manager of our Company. She joined our Group in January 2010 as executive manager. In December 2010, she was promoted to deputy general manager and is responsible for administration and human resources matters of all the Company's subsidiaries in the PRC. Prior to joining our Company, from August 2006 to September 2009, she worked in Dubon Property and Casualty Insurance Company Limited Jilin branch (都邦財產保險股份有限公司吉林分公司) as business general manager and was responsible for business management. From July 1994 to August 2006, she was the deputy general manager in China Pacific Life Insurance Company Limited Tonghua branch (中國太平洋人壽保險股份有限公司通化中心支公司) and responsible for administration matters. Ms. Wang graduated from Jilin Industry University (吉林工業大學) with a bachelor's degree in accounting in July 1998. Ms. Wang is the sister of Mr. Wang, the chairman of our Board, the chief executive officer and an executive Director of our Company, and Ms. Wang Lijuan, an executive Director of our Company.

Mr. Ho Ka Chun (何家進), aged 35, joined our Company in January 2016 and is the Chief Financial Officer of the Group. Mr. Ho holds a bachelor's degree in business administration, majoring in accountancy from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). He has over 10 years of experience in financial management, accounting and auditing and had previously worked for an international audit firm before joining our Company.

Ms. Feng Fu Qin (封福琴), aged 50, is the production manager of our Company. She joined our Group in September 2001 and was promoted from production supervisor to her current position in January 2011. Ms. Feng is responsible for supervising the overall production and manufacturing processes of the products of our Group. Prior to joining our Group, Ms. Feng had over 7 years' experience in production management. Ms. Feng graduated from Tianjin Light Industry College (天津輕工業學院) with a college diploma in chemistry in July 1992.

COMPANY SECRETARY

Mr. Wong Kwok Kuen (王國權), aged 42, has been appointed as the company secretary of our Company since 6 November 2015. He graduated with a bachelor's degree in accountancy from the Hong Kong Polytechnic University. Mr. Wong is a member of the Association of Chartered Certified Accountants and a member of the HKICPA. He has over 16 years of experience in the fields of finance, auditing and accounting.

The Board is pleased to present the Directors' Report together with the annual report (the "Annual Report") and the audited financial statements of China Tontine Wines Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group continue to be the production and sales of grape wine in the mainland China. Revenue and contribution to operating profit are mainly derived from activities carried out in the mainland China. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 47 to 100.

The Directors do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2015 (2014: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 2 and 3 of the Annual Report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 May 2016 to Friday, 6 May 2016 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company to be held on Friday, 6 May 2016. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 3 May 2016.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB1.4 million on additions of property, plant and equipment mainly for the expansion and enhancement of its production capability. Details of movements in property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company on 19 November 2009. The principal terms of the Share Option Scheme are summarized below:

(i) The purpose of the Share Option Scheme is to provide incentive for selected participants to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the Company and its shareholders as a whole and to retain and attract persons whose contributions are or may be beneficial to the growth and development of the Group.

(ii) Eligible participants of the Share Option Scheme include any employee, non-executive Directors (including independent non-executive Directors), customer or supplier of goods or services to any member of the Group, shareholders of any member of the Group, consultant, adviser, contractor, business partner or service provider.

(iii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on 19 November 2009.

(iv) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group, must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

(v) Unless approved by shareholders in a general meeting, the total number of Shares issued and which may fall to be issued upon exercise of all options granted to any eligible participant under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including such further grant must not exceed 1% of the issued share capital of the Company for the time being.

(vi) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any grant to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates in excess of 0.1% of the Shares in issue or with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval of the Company in a general meeting.

(vii) An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the offer of grant of an option.

(viii) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (which may not expire later than 10 years from the date of the grant) to be determined and notified by the Directors to each grantee.

(ix) The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of a Share.

(x) Unless otherwise determined by the Directors and stated in the offer of the grant of option(s) to an eligible participant, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(xi) The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

During the Year, the movements in the Company's share options granted under the Share Option Scheme were as follows:

		Number of share options									
Grantee	Date of grant	Outstanding as at 1 January 2015	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2015	Vesting period	Exercisable period	Exercise price per share *HK$*	Market value per share at date of grant of options *HK$*
Directors	–	–	–	–	–	–	–	–	–	–	–
Employees	18 May 2012	56,000,000	–	–	–	(16,000,000)	40,000,000	–	18 May 2012 to 17 May 2017	0.71	0.70
Total		56,000,000	–	–	–	(16,000,000)	40,000,000				

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity.

SUMMARY FINANCIAL INFORMATION

A summary of the published results containing information on the Group's assets and liabilities for the last five financial years is set out on pages 2 and 3. The summary does not form part of the consolidated financial statements.

DIRECTORS

The Directors of the Company during the Year and up to the date of the Annual Report were:

Executive Directors:

Mr. Wang Guangyuan *(Chairman and chief executive officer)*
Mr. Zhang Hebin
Ms. Wang Lijuan

Independent Non-Executive Directors:

Mr. Sih Wai Kin, Daniel
Mr. Lai Chi Keung, Albert
Mr. Li Changgao *(resigned on 15 January 2016)*
Mr. Yang Qiang *(appointed on 15 January 2016)*

The Company's bye-laws provide that, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. Every Director will therefore retire either by rotation under the Company's bye-laws or voluntarily and will subject himself/herself to the absolute and free choice of the shareholders for re-election at the annual general meetings.

The Board comprises three independent non-executive Directors, representing more than one-third of the Board. The independent non-executive Directors play an important role on formulating the Group's objectives and strategies and ensuring that the Board maintains high standard of corporate governance. The Company has received annual confirmations of independence from Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao (resigned on 15 January 2016), as well as from Mr. Yang Qiang (appointed on 15 January 2016) pursuant to Rule 3.13 of the Listing Rules. The Company considered all of its independent non-executive Directors were independent during the Year and as at the date of the Annual Report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 25 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

RELATED PARTIES TRANSACTIONS

None of the "Related Parties Transactions" as disclosed in Note 32 to the consolidated financial statements for the Year constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

DIRECTORS' AND/OR CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and/or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding *(Note 4)*
Mr. Wang Guangyuan	The Company	Interest of a controlled corporation	675,582,720 Shares (L) *(Note 2)*	33.56%
Mr. Zhang Hebin	The Company	Interest of a controlled corporation	132,467,200 Shares (L) *(Note 3)*	6.58%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) These Shares are registered in the name of and beneficially owned by Up Mount International Limited ("Up Mount"), a company incorporated in the British Virgin Islands (the "BVI") and whose entire issued share capital is owned by Mr. Wang Guangyuan.

(3) These Shares are registered in the name of and beneficially owned by Wing Move Group Limited ("Wing Move"), a company incorporated in the BVI and whose entire issued share capital is owned by Mr. Zhang Hebin.

(4) The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 31 December 2015.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2015.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the Directors, the following parties, other than a Director or chief executive of the Company, were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Capacity/Nature of interest	Number and class of Securities *(Note 1)*	Approximate percentage of issued Shares *(Note 6)*
Up Mount *(Note 2)*	Beneficial owner	675,582,720(L)	33.56%
Ms. Zhang Min 張敏 *(Note 3)*	Interest of spouse	675,582,720(L)	33.56%
Wing Move *(Note 4)*	Beneficial owner	132,467,200(L)	6.58%
Ms. Luo Cheng Yan 羅成艷 *(Note 5)*	Interest of spouse	132,467,200(L)	6.58%

Notes:

(1) The Letter "L" denotes long position in the Shares.

(2) Up Mount is a company incorporated in the BVI, and is solely and beneficially owned by Mr. Wang Guangyuan, the chairman of the Company and an executive Director.

(3) Ms. Zhang Min is the spouse of Mr. Wang Guangyuan and is therefore deemed to be interested in all the Shares held by Mr. Wang Guangyuan (through Up Mount) by virtue of the SFO.

(4) Wing Move is a company incorporated in the BVI, and is solely and beneficially owned by Mr. Zhang Hebin, an executive Director.

(5) Ms. Luo Cheng Yan is the spouse of Mr. Zhang Hebin, an executive Director, and is therefore deemed to be interested in all the Shares held by Mr. Zhang Hebin (through Wing Move) by virtue of the SFO.

(6) The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 31 December 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the Share Option Scheme disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its qualifying employees in Hong Kong and state-managed retirement benefit schemes operated by the People's Republic of China for the employees of the Company's subsidiaries established in the People's Republic of China. Details of the Group's retirement benefit schemes during the Year are set out in note 31 to the consolidated financial statements.

INTERESTS IN CONTRACTS

No contract of significance in relation to the business of the Group to which any controlling shareholder of the Company or any of its subsidiaries was a party, or in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and up to the date of the Annual Report, no Directors were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

EMOLUMENT POLICY

The emolument policy for the directors and employees of the Group is decided by the Board based upon the recommendation of the Remuneration Committee, having regarding to the Group's operating results, individual performance (by way of annual review and appraisal), duties and responsibilities within the Group and comparable market statistics.

The Company has adopted a share option scheme as a long-term incentive to directors and eligible individuals for retaining them for their contribution for the continued operation and development of the Group, details of the scheme are set out on pages 27 to 28 of the Annual Report and in note 28 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for around 9.1% and 26.4% of the total sales and purchases of the Group respectively. The Group's largest customer and supplier accounted for around 2.0% and 8.6% of the total sales and purchases of the Group for the Year respectively. For the year ended 31 December 2015, none of the Directors or any of their associates or any shareholders of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 28 October 2009. The Audit Committee comprises all the three independent non-executive Directors. During the Year, the Audit Committee comprised Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao (resigned on 15 January 2016). Mr Yang Qiang was appointed on 15 January 2016 to fill the casual vacancy left by Mr. Li Changgao.

The Audit Committee has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the Year.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of the Annual Report, based on publicly available information and to the best of the Directors' knowledge, the Company has maintained the prescribed public float under the Listing Rules since the listing of the Shares on the Stock Exchange.

AUDITOR

Deloitte Touche Tohmatsu, the auditor of the Company, will retire at the AGM and, being eligible, offer itself for re-appointment at the AGM. A resolution for re-appointment of auditor of the Company will be proposed at the AGM.

ENVIRONMENTAL PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards set by the PRC government from time to time.

The Company is dedicated to designing an environmental management system within its business structure for environmental protection. The Company has adopted policies and effective procedures to prevent environmental hazards arising from the Group's production and other activities from polluting and endangering the environment. These policies and procedures include but not limited to (i) installing advanced and energy-saving apparatus and equipment in the production process to promote clean production so as to minimize environmental impact and to protect employees' health and safety; (ii) recycling resources properly, (iii) adopting strict criteria for the selection of our business partners (including farmers, suppliers and distributors) who are not only reliable, have good credibility and track record but should preferably be keen to promote sustainable agriculture/sourcing and other sustainability measures in their businesses and operations); (iv) monitoring environment performance through regular internal review and (v) reinforcing environmental protection awareness among employees of the Group and encouraging them to take responsibilities for environmental protection.

During the Year and to the best of our Directors' knowledge, the Group had obtained all the required permits and environmental approvals for its business and production facilities, including but not limited to the hygiene permit (衛生許可證), the national industrial product production permit (全國工業產品生產許可證), the water intake permit (取水許可證) and the waste discharge licence and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

RELATIONSHIPS WITH BUSINESS PARTNERS AND CUSTOMERS

We value our relationships with, and have been maintaining good relationships with our business partners (including farmers, suppliers and distributors), customers and the employees of the Group. We believe that building long-term beneficial relationships with each of them is of paramount importance to establish mutual trust, loyalty and business development, and on which the Company's success and sustainability depend.

ON BEHALF OF THE BOARD

Wang Guangyuan
Chairman and Executive Director
Hong Kong
24 March 2016

The Board develops and reviews the Group's policies and practices on corporate governance to keep their effectiveness from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excel in corporate governance. The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns.

The principles in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange have been followed by the Company to shape its corporate governance structure. The CG Code sets out two levels of corporate governance practices namely, "code provisions" that a listed company is to comply with or explain its decision if there is any deviation from the code provisions, and "recommended best practices" that a listed company is encouraged to comply with but need not explain if it does not.

The Company had complied with the code provisions as set out in the CG Code during the year ended 31 December 2015 (the "Year"), save for the following:

CODE PROVISION A.2.1

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer (the "CEO") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Wang Guangyuan currently performs these two roles. Mr. Wang is responsible for the overall business strategy and development and management of the Group. The Board considers that Mr. Wang, by serving as the chairman of the Board and the CEO of the Company, is able to lead the Board in major business decision making for the Group and enables the Board's decision to be effectively made, which is beneficial to the management and the development of the Group's business. Therefore, Mr. Wang assumes the dual roles of being the chairman of the Board and the CEO of the Company notwithstanding the aforementioned deviation.

BOARD OF DIRECTORS AND MANAGEMENT FUNCTIONS

The Board is responsible for providing effective and responsible leadership for the Group. The Directors, both individually and collectively, must act in good faith in the best interests of the Group and the shareholders of the Company. The Board is responsible for formulating the Group's overall objectives and strategies, monitoring and evaluating its operating and financial performance and reviewing the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, appointment or re-appointment of Directors, and dividend and accounting policies. The profiles of the Directors as at the date of this report are set out on pages 22 to 23.

Senior management is delegated with the responsibility for the execution of the business plans and strategies adopted by the Board, assisting the Board in the preparation of the financial statements for approval by the Board, the implementation of adequate procedures as put forward by the Board and/or the committees established by the Board and reporting regularly to and seeking approval from the Board on important matters from time to time.

The Directors acknowledge that, notwithstanding the delegation, it is the responsibility of the Board for preparing the financial statements, which give a true and fair view of the financial results of the Group.

The Board is responsible for performing the corporate governance functions of the Company, which are set out in the written terms of reference. The Board had, among others, reviewed the Company's policies and practices on corporate governance and their effectiveness, reviewed the Group's compliance with the applicable laws, rules and regulations, reviewed and monitored the training and continuous professional development of directors and senior management of the Group and reviewed this corporate governance report in discharge of its corporate governance functions and to ensure compliance with the Listing Rules.

The Board has delegated various responsibilities to certain Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "Board Committees").

Our Board comprises 3 executive Directors and 3 independent non-executive Directors. During the Year, the Board met regularly to discuss the overall strategy, the operational and financial performance and the corporate governance of the Group. The attendance record of each of the Directors is tabulated as follows:

Name	**Annual general meeting held on 21 May 2015**	**Number of board meetings attended/held during the Year**
Number of meeting(s)	1	4
Executive Director		
Mr. Wang Guangyuan *(Chairman and CEO)*	1/1	4/4
Mr. Zhang Hebin	1/1	4/4
Ms. Wang Lijuan	0/1	3/4
Independent Non-executive Director		
Mr. Sih Wai Kin, Daniel	1/1	2/4
Mr. Lai Chi Keung, Albert	1/1	2/4
Mr. Li Changgao	0/1	3/4

Save for the sibling relationship between Mr. Wang Guangyuan and Ms. Wang Lijuan, the Board members have no financial, business, family or other relationships with each other. Each of the independent non-executive Directors has confirmed in writing his independence with regard to the independence criteria set out in Rule 3.13 of the Listing Rules.

Since the listing of its shares on the Main Board of the Stock Exchange on 19 November 2009, the Company has adopted the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals. Ad-hoc meetings will also be convened if necessary to discuss the overall strategy as well as financial performance of the Group. Notice of board meeting will be sent to all Directors at least 14 days prior to a regular board meeting. Reasonable notice will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communication.

The Company has adopted the practice to provide relevant materials to all Directors relating to the matters brought before the meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Each of the Directors will have the opportunity and is encouraged to include matters which he/she deems appropriate in the agenda for Board meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 1 November 2009, and is renewable automatically thereafter for successive terms of one year subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for a renewed term of two years commencing from 1 January 2012, which is renewable automatically for successive term(s) of one year each commencing from the date next after the expiry of the then current term of his appointment and is subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than one month's prior written notice.

In accordance with the Company's bye-laws, each year, one-third of the Directors (including executive Directors and independent non-executive Directors) for the time being will retire from office by rotation provided that every Directors shall be subject to retirement by rotation at least once every three years at the general meeting of the Company.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board established the Board Committees to oversee particular aspects of the Group's affairs. The Board Committees are governed by the respective written terms of reference approved by the Board.

Audit Committee

The Audit Committee was established on 28 October 2009. During the Year, the members of the Audit Committee were Mr. Sih Wai Kin, Daniel (Chairman of the Audit Committee), Mr. Lai Chi Keung, Albert and Mr. Li Changgao (resigned on 15 January 2016), who were all independent non-executive Directors. The Chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules.

The Company has adopted written terms of reference for the Audit Committee in compliance with the CG Code, which clearly define the role, authority and function of the Audit Committee and are available on both the websites of the Stock Exchange and the Company.

The Audit Committee is primarily responsible for the review and supervision of the financial reporting process and assessing the adequacy and effectiveness of the Company's financial controls, internal control and risk management systems. It is also responsible for making recommendations to the Board on the appointment and removal of external auditor. The Audit Committee had reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's annual and interim results for the Year.

The Audit Committee held two meetings during the Year.

The attendance record of each Audit Committee member during the Year is set out below.

Directors	No. of meetings Attended/Held	Attendance rate
Mr. Sih Wai Kin, Daniel *(Chairman)*	2/2	100%
Mr. Lai Chi Keung, Albert	2/2	100%
Mr. Li Changgao	2/2	100%

Remuneration Committee

The Remuneration Committee was established on 28 October 2009. During the Year, the members of the Remuneration Committee were Mr. Sih Wai Kin, Daniel (Chairman of the Remuneration Committee), Mr. Lai Chi Keung, Albert and Mr. Li Changgao (resigned on 15 January 2016), who were all independent non-executive Directors.

The Company has adopted written terms of reference for the Remuneration Committee in compliance with the CG Code, which clearly define the role, authority and function of the Remuneration Committee and are available on both the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee include, but not limited to, making recommendations to the Board on the overall remuneration policy and structure, as well as the remuneration packages, relating to all the Directors and senior management of our Group; reviewing their remuneration packages with reference to corporate goals and objectives of the Company so as to attain such levels as is sufficient to attract, retain and incentivise them to make positive contribution to the long-term development of the Company, and ensuring that none of the Directors determine his/her own remuneration. During the Year, the works performed by the Remuneration Committee mainly comprised assessing the performance of the Directors and senior management of the Group, reviewing the terms or renewed terms of the service agreements governing the appointment and/or continued appointment of Directors and senior management of the Group and recommending to the Board their remuneration packages.

Details of the remuneration paid to members of the senior management of the Group (including the Directors) by band for the year ended 31 December 2015 are set out below:

Remuneration band	Number of senior management
Below HK$1,000,000	14
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1

The Remuneration Committee held one meeting during the Year.

The attendance record of each Remuneration Committee member during the Year is set out below.

Directors	No. of Meetings Attended/Held	Attendance Rate
Mr. Sih Wai Kin, Daniel *(Chairman)*	1/1	100%
Mr. Lai Chi Keung, Albert	1/1	100%
Mr. Li Changgao	1/1	100%

Nomination Committee

The Nomination Committee was established on 28 October 2009. During the Year, the members of the Nomination Committee were Mr. Lai Chi Keung, Albert (Chairman of the Nomination Committee and an independent non-executive Director), Mr. Wang Guangyuan (an executive Director) and Mr. Li Changgao (an independent non-executive Director; resigned on 15 January 2016).

The Company has adopted written terms of reference for the Nomination Committee in compliance with the CG Code, which clearly define the role, authority and function of the Nomination Committee and are available on both the websites of the Stock Exchange and the Company.

The primary functions of the Nomination Committee include, but not limited to, making recommendations to the Board regarding candidates for directorship, either to fill vacancies on or appoint additional Directors to the Board, the structure, size and composition of the Board and succession planning for Directors. In considering the nomination of new Directors, the Nomination Committee will take into account the diversity policy of the Company, which includes the consideration of various elements including gender, age, culture, qualification, ability, work experience, leadership and professional ethics of the candidates and against the objective criteria set out by the Board. These elements were recognised and were taken into account of in the composition of the existing diverse Board.

The Nomination Committee held one meeting during the Year in which the structure, size, composition and diversity of the Board, the nomination policy, the re-election of the retiring Directors by the shareholders at the last annual general meeting of the Company and the independence of the independent non-executive Directors were reviewed and its recommendations were put forward to the Board for consideration and approval.

The attendance record of each Nomination Committee member during the Year is set out below.

Directors	No. of Meetings Attended/Held	Attendance Rate
Mr. Lai Chi Keung, Albert *(Chairman)*	1/1	100%
Mr. Wang Guangyuan	1/1	100%
Mr. Li Changgao	1/1	100%

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Year, the Company organized Directors' training session delivered by legal professional (which was attended to by all the then Directors, including Mr. Wang Guangyuan, Mr. Zhang Hebin, Ms. Wang Lijuan, Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao), as well as provided materials (including but not limited to updates on Listing Rules and guidelines on Directors' Duties) for all Directors. The Company also encouraged all Directors to participate from time to time courses which they considered relevant at the costs of the Company so as to develop and refresh their knowledge and skills for better fulfillment of their duties as directors of a listed issuer.

COMPANY SECRETARY

The Company Secretary, Mr. Wong Kwok Kuen, is one of the chief administrative officers of the Company responsible for, among other duties, organizing directors' and shareholders' meetings of the Company and ensuring all procedures for the convening and conduct of such meetings are in accordance with the Company's constitution and the laws, rules and regulations applicable to the Company. During the Year, the Company Secretary undertook 15 hours of professional training to refresh and develop his knowledge and skills.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective internal controls of the Group. During the Year, the Board conducted a review of the effectiveness of the Group's system of internal control, covering financial, operational, compliance control and risk management functions. The Group's system of internal control includes the setting up of a management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. After reviewing the Group's internal control system, the Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting and financial reporting function, and adequate training programmes had been provided during the Year. The control and compliance department of the Company plays a major role in monitoring the internal controls of the Group and reports directly to the Audit Committee. It has full access to review all aspects of the Group's activities and internal controls. All types of audited reports are circulated to the Audit Committee and key management, which will follow up on any actions and measures taken to improve internal controls on the recommendations by the control and compliance department.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the Year, the Directors had selected suitable accounting policies and had applied them consistently, adopted appropriate accounting standards which were pertinent to its operations and relevant to the financial statements, made judgments and estimates that were prudent and reasonable, and had prepared the accounts on a going concern basis. The statement of the auditor of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 45 to 46.

AUDITOR'S REMUNERATION

During the Year, the fees paid/payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

	RMB'000
Audit service	1,592
Non-audit services (agreed-upon procedure work on preliminary results announcement for the year ended 31 December 2015)	20
	1,612

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for Directors' securities transactions. The Company has made specific enquiry of all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the Year.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there were no changes in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Convene a special general meeting (the "SGM")

The following procedures are subject to the Company's bye-laws, the Companies Act 1981 of Bermuda, as amended or supplemented from time to time (the "Companies Act") and applicable legislation and regulation.

1. Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the Company's principal office of business in Hong Kong at Room 1703, 17/F, COFCO Tower, No.262 Gloucester Road, Causeway Bay, Hong Kong, for the attention of the Company Secretary of the Company (the "Company Secretary"), to require a SGM to be called by the board of directors of the Company (the "Board") for the transaction of any business specified in such requisition.

2. The written requisition must state the purposes of the general meeting, signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

4. The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at a SGM varies according to the nature of the proposal, as follows:

    - at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

    - at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

Put forward proposals at general meetings

1. Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to move a resolution at an annual general meeting (the "AGM") of the Company or circulate a statement at any general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:–

    (a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

    (b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

2. The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

    (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

    (ii) not less than one hundred Shareholders.

3. Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

4. Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 3 above unless:–

    (a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:–

        (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

        (ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 1 above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

Proposed a candidate for election as a Director at an annual general meeting

The Company has an established procedures for shareholders of the Company to propose a person for election as a Director and the procedures are published at the Company's website at http://www.tontine-wines.com.hk.

The Company welcomes enquiries from its shareholders. The Board or designated senior management of the Company will review shareholders' enquiries on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary by e-mail (info@corporatelink.com.hk) or at the address of the Company's principal office of business in Hong Kong.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels via which the Company communicates with its shareholders include interim and annual reports, circulars, notices, financial reports, information posted on the websites of the Stock Exchange and the Company, and general meetings. Shareholders are encouraged to attend the Company's general meetings where the Chairman of the Board and the chairman of each of the Board Committees (as appropriate) are invited to attend to answer questions. Notice of the annual general meeting of the Company and related papers are sent to shareholders of the Company at least 21 clear business days before the meeting and such notice is also made available on the Stock Exchange's website. Separate resolutions are proposed at the general meetings on each substantially separate issue. Poll results of the meeting will be posted on the website of the Stock Exchange on the day of the meeting. The financial and other information relating to the Group is disclosed on the Company's website, http://www.tontine-wines.com.hk.

In order to facilitate the communication with shareholders of the Company, the Group has maintained the Company's website as a channel to provide the latest information and to strengthen communication with its shareholder and the investing public. The Group's corporate correspondence and information will also be published on the website in a timely manner.

The above communication policy is reviewed by the Board from time to time to ensure its effectiveness.

Deloitte.
德勤

TO THE MEMBERS OF CHINA TONTINE WINES GROUP LIMITED
中國通天酒業集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Tontine Wines Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**293,689**	286,320
Cost of sales		**(197,905)**	(261,378)
Gross profit		**95,784**	24,942
Other income	9	**847**	4,785
Selling and distribution expenses		**(41,910)**	(192,331)
Administrative expenses		**(41,089)**	(76,482)
Impairment of property, plant and equipment	16	**–**	(478,407)
Impairment of prepaid lease payments	17	**–**	(22,560)
Impairment of intangible assets	18	**–**	(22,157)
Change in fair value of biological assets	19	**(201)**	(1,274)
Profit (loss) before tax		**13,431**	(763,484)
Income tax credit	10	**–**	22,627
Profit (loss) and total comprehensive income (expense) for the year	11	**13,431**	(740,857)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**6,850**	(658,968)
Non-controlling interests		**6,581**	(81,889)
		13,431	(740,857)
Earnings (losses) per share	15		
Basic *(RMB cents)*		**0.34**	(32.7)
Diluted *(RMB cents)*		**0.34**	(32.7)

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current Assets			
Property, plant and equipment	16	130,686	139,896
Prepaid lease payments	17	56,862	59,586
Deposits paid for acquisition of property, plant and equipment		7,343	7,343
Biological assets	19	7,620	7,470
		202,511	214,295
Current Assets			
Inventories	20	312,719	315,185
Trade receivables	21	84,702	97,115
Deposits and other receivables	22	12,153	12,076
Tax recoverable		5,551	5,551
Prepaid lease payments	17	2,723	2,723
Bank balances and cash	23	201,942	172,613
		619,790	605,263
Current Liabilities			
Trade payables	24	9,307	19,317
Other payables and accruals	25	33,363	34,014
Tax liabilities		9,961	9,988
		52,631	63,319
Net Current Assets		567,159	541,944
Total Assets less Current Liabilities		769,670	756,239
Capital and Reserves			
Share capital	27	17,624	17,624
Reserves		677,960	671,110
Equity attributable to owners of the Company		695,584	688,734
Non-controlling interests		74,086	67,505
Total Equity		769,670	756,239

The consolidated financial statements on pages 47 to 100 were approved and authorised for issue by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Wang Guangyuan
Executive Director

Zhang Hebin
Executive Director

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000* *(Note a)*	Statutory reserves *RMB'000* *(Note b)*	Share options reserve *RMB'000*	Retained profits (accumulated losses) *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2014	17,624	910,541	86,360	130,634	8,259	194,284	1,347,702	149,394	1,497,096
Loss and total comprehensive expense for the year	–	–	–	–	–	(658,968)	(658,968)	(81,889)	(740,857)
At 31 December 2014	**17,624**	**910,541**	**86,360**	**130,634**	**8,259**	**(464,684)**	**688,734**	**67,505**	**756,239**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**6,850**	**6,850**	**6,581**	**13,431**
Share options lapsed *(note 28)*	**–**	**–**	**–**	**–**	**(2,360)**	**2,360**	**–**	**–**	**–**
At 31 December 2015	**17,624**	**910,541**	**86,360**	**130,634**	**5,899**	**(455,474)**	**695,584**	**74,086**	**769,670**

Notes:

(a) Special reserve represents the difference between the nominal value of the shares of the Company issued and the aggregate of the nominal value of the issued shares and the share premium of the holding company for which the shares of the Company have been issued in exchange upon a corporate reorganisation to rationalise the group structure prior to listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), the PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries) but before dividend distributions.

All appropriations to the funds are made at the discretion of the board of directors of the subsidiaries. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital of the PRC subsidiaries subject to approval from the relevant PRC authorities. The general reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiaries subject to approval from the relevant PRC authorities.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 *RMB'000*	2014 *RMB'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**13,431**	(763,484)
Adjustments for:		
Interest income	**(793)**	(4,574)
Depreciation of property, plant and equipment	**10,595**	25,350
Gain on disposal of property, plant and equipment	**–**	(72)
Amortisation of prepaid lease payments	**938**	1,232
Amortisation of intangible assets	**–**	3,624
Impairment of property, plant and equipment	**–**	478,407
Impairment of prepaid lease payments	**–**	22,560
Impairment of intangible assets	**–**	22,157
Write off of inventories	**1,743**	1,038
Change in fair value of biological assets	**201**	1,274
Operating cash flows before movements in working capital	**26,115**	(212,488)
Increase in biological assets	**(3,315)**	(3,197)
Decrease (increase) in inventories	**5,473**	(55,753)
Decrease (increase) in trade receivables	**12,413**	(37,971)
(Increase) decrease in deposits and other receivables	**(77)**	7,574
(Decrease) increase in trade payables	**(10,010)**	6,233
Increase (decrease) in other payables and accruals	**4,558**	(16,413)
Cash generated from (used in) operations	**35,157**	(312,015)
Income tax paid	**–**	(3,233)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**35,157**	(315,248)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(6,594)**	(47,766)
Interest received	**793**	4,574
Proceeds from disposal of property, plant and equipment	**–**	133
NET CASH USED IN INVESTING ACTIVITIES	**(5,801)**	(43,059)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,356**	(358,307)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**172,613**	530,920
Effect of foreign exchange rate changes	**(27)**	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**201,942**	172,613

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Stock Exchange. The directors consider that the Company's ultimate holding company is Up Mount International Limited, a limited company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the above new and revised to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Amendments to HKAS 16 and HKAS 41 *Agriculture: Bearer Plants*

The amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company are under the process of the assessment on the impact of the adoption of the amendments to the Group's consolidated financial statements. The Group will adopt the amendment for the reporting period ending 31 December 2016.

Except as mentioned above, the directors of the Company do not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for the biological assets that are measured at fair value less costs to sell at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are classified as construction in progress and carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/ revalued amounts, being the fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with definite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses of tangible and intangible assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Biological assets

Biological assets comprise vines in the PRC which are measured on initial recognition and at the end of reporting period at the fair value less costs to sell, with any resultant gain or loss recognised in profit or loss for the period in which it arises. Fair value is based on the present value of expected net cash flows from the vines. Costs to sell are the incremental costs directly attributable to the disposals of an asset, mainly transportation cost and excluding income taxes.

The plantation costs and other related costs including the amortisation charge, utilities cost, direct labour cost, consumables cost incurred for planation of grapes are capitalised, until such time the vines begin to produce grapes.

Agricultural produce represents the grapes harvested from the vines. Grapes are recognised at the point of harvest and transferred to inventories at their deemed cost which is the fair values less costs to sell. The fair values of grapes are determined based on market prices in the local area.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are all classified as loans and receivables. The classification depends on the nature and purpose of the financial assets which is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits (accumulated losses).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful lives.

Useful lives of intangible assets

In applying the accounting policy on intangible asset with respect to amortisation, management estimates the useful lives of the trademarks of a subsidiary, 煙台白洋河釀酒有限責任公司 Yantai Baiyanghe Winery Co., Ltd. ("Yantai Baiyanghe") according to the industrial experiences over the usage of the trademarks and also by reference to the relevant industrial norm. If the actual useful lives of other intangible assets is less than the original estimate useful lives due to change in commercial and technological environment, such difference will impact the amortisation charge for the remaining lives.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Impairment of tangible assets and intangible assets

The Group assesses regularly whether the tangible assets and intangible assets including property, plant and equipment, prepaid lease payments and intangible assets have any indication of impairment in accordance with its accounting policy. The Group determines the recoverable amounts of the assets based on the value in use and fair value less costs to sell. These calculations require the use of judgment and estimates. On the above basis, the Group is of the view that impairment on property, plant and equipment of RMB478,407,000, prepaid lease payments of RMB22,560,000 and intangible assets of RMB22,157,000 for the year ended 31 December 2014, charged to profit or loss for the year ended 31 December 2014.

Fair value measurements and valuation processes of biological assets

The biological assets of the Group are measured at fair value less costs to sell for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of biological assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company every six months to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value less costs to sell of the biological assets. Note 19 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities. The change in fair value of biological assets amounting to RMB201,000 (2014: RMB1,274,000) was charged to profit or loss for the year. As at 31 December 2015, the carrying amount of biological assets is RMB7,620,000 (2014: RMB7,470,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Estimated allowances for inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at end of the reporting period and makes allowance of RMB1,743,000 (2014: RMB1,038,000) on obsolete and slow moving items to write off or write down inventories to their net realisable values during the year ended 31 December 2015. Where the expectation on the net realisable value is lower than the cost, an impairment may arise. The carrying amount of inventories is RMB312,719,000 (2014: RMB315,185,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables is RMB84,702,000 (2014: RMB97,115,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	286,644	269,728
Financial liabilities		
Amortised cost	12,104	28,918

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bank balances and cash and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain transactions and monetary assets and liabilities of the Group are denominated in Hong Kong Dollar ("HKD") which is different from the functional currency of the Group entities, i.e. RMB, which expose the Group to currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
HKD	149	876	2,629	2,186

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in RMB against HKD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rate. A negative number below indicates an increase in post-tax profit or a decrease in loss where RMB strengthen 10% against HKD. For a 10% weakening of RMB against HKD, there would be an equal and opposite impact on the profit or loss and the balances below would be positive.

	2015	2014
	RMB'000	*RMB'000*
HKD	**(248)**	(131)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group considered interest rate risk on bank balances is insignificant.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The management considers the credit risk exposure of the Group is low as the trade receivables are normally settled within credit period of 90 days. The management nonetheless reviews the recoverable amount of each individual debt regularly, if any, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are the banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Repayable on demand	3 months or less	9 to 12 months	After 12 months	Total undiscounted cash flows and carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2015					
Non-derivative financial liabilities					
Trade payables	**–**	**9,307**	**–**	**–**	**9,307**
Other payables	**2,797**	**–**	**–**	**–**	**2,797**
	2,797	**9,307**	**–**	**–**	**12,104**
2014					
Non-derivative financial liabilities					
Trade payables	–	19,317	–	–	19,317
Other payables	5,058	466	3,097	980	9,601
	5,058	19,783	3,097	980	28,918

c. Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts.

8. SEGMENT INFORMATION

The Group determines its reportable and operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors) of the Company in order to allocate the resources to the segment and to assess its performance. No operating segments identified by chief operating decision maker have been aggregated in arising at the reportable segments of the Group.

The Group is principally engaged in the business of manufacturing and sales of grape wine products. The Group is organised based on the region of goods delivered.

The Group's reportable and operating segments under HKFRS 8 *Operating Segments* are identified based on different geographical zones of goods delivered in the PRC: North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

- North-East Region includes the provinces of Jilin, Heilongjiang and Liaoning.

- Northern Region includes provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.

- Eastern Region includes provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang, and city of Shanghai.

- South-Central Region includes provinces of Guangdong, Hainan, Henan, Hubei and Hunan.

- South-West Region includes provinces of Guizhou, Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.

The accounting policies of the reportable and operating segments are the same as those described in the summary of significant accounting policies.

No revenue from transactions with a single external customer amounted to 10 per cent or more of the Group's total revenue.

The Group's operations are located in the PRC and all revenue from external customers and non-current assets are attributed to and located in the PRC.

8. SEGMENT INFORMATION – continued

Information about reportable and operating segment revenue, profit (loss), assets and liabilities

	North-East Region RMB'000	Northern Region RMB'000	Eastern Region RMB'000	South-Central Region RMB'000	South-West Region RMB'000	Total RMB'000
For the year ended 31 December 2015						
Segment revenue from external customers	**45,401**	**60,027**	**83,444**	**48,950**	**55,867**	**293,689**
Segment profit	**4,151**	**14,151**	**19,265**	**10,934**	**7,924**	**56,425**
For the year ended 31 December 2014						
Segment revenue from external customers	38,056	61,772	88,169	43,459	54,864	286,320
Segment loss	(19,325)	(27,001)	(39,188)	(22,588)	(31,573)	(139,675)
As at 31 December 2015						
Segment assets	**9,948**	**18,948**	**26,387**	**12,818**	**16,601**	**84,702**
Segment liabilities	**2,007**	**2,653**	**3,688**	**2,164**	**2,469**	**12,981**
As at 31 December 2014						
Segment assets	15,153	22,947	27,397	13,840	19,653	98,990
Segment liabilities	1,778	2,884	4,116	2,029	2,561	13,368

8. SEGMENT INFORMATION – continued

Reconciliations of reportable and operating segment revenue, profit (loss), assets and liabilities

Revenue

No reconciliation of reportable and operating segment revenue is provided as the total revenue for reportable and operating segments is the same as Group's revenue.

	2015	2014
	RMB'000	*RMB'000*
Total segment profit (loss)	**56,425**	(139,675)
Unallocated amounts:		
Other corporate income	**847**	4,785
Other corporate expenses	**(43,841)**	(628,594)
Consolidated profit (loss) before tax	**13,431**	(763,484)

Reportable and operating segment profit (loss) represented the profit (loss) incurred by each segment without allocation of amortisation, depreciation, impairment losses, selling and distribution expenses, other corporate expenses and other corporate income.

	2015	2014
	RMB'000	*RMB'000*
Assets		
Total segment assets	**84,702**	98,990
Other unallocated amounts		
Property, plant and equipment	**130,686**	139,896
Prepaid lease payments	**59,585**	62,309
Deposits paid for acquisition of property, plant and equipment	**7,343**	7,343
Biological assets	**7,620**	7,470
Inventories	**312,719**	315,185
Deposits and other receivables	**12,153**	10,201
Tax recoverable	**5,551**	5,551
Bank balances and cash	**201,942**	172,613
Consolidated total assets	**822,301**	819,558

8. SEGMENT INFORMATION – continued

Reconciliations of reportable and operating segment revenue, profit (loss), assets and liabilities – continued

Reportable and operating segment assets comprise trade receivables and prepaid other taxes.

	2015 RMB'000	2014 RMB'000
Liabilities		
Total segment liabilities	12,981	13,368
Other unallocated amounts		
Trade payables	9,307	19,317
Other payables and accruals	20,382	20,646
Tax liabilities	9,961	9,988
Consolidated total liabilities	52,631	63,319

Reportable and operating segment liabilities comprise certain other payables and accruals.

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Bank interest income	793	4,574
Net foreign exchange gain	54	139
Gain on disposal of property, plant and equipment	–	72
	847	4,785

10. INCOME TAX CREDIT

	2015	2014
	RMB'000	RMB'000
The credit comprises:		
PRC Enterprise Income Tax ("EIT") in prior year	–	388
Deferred tax *(note 26)*	–	(23,015)
	–	(22,627)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Provision for the PRC EIT was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries operated in the PRC.

The income tax credit for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	RMB'000	RMB'000
Profit (loss) before tax	13,431	(763,484)
Tax credit at income tax rate of 25% (2014: 25%)	3,358	(190,871)
Tax effect of income not taxable for tax purpose	(37)	(1)
Tax effect of expenses not deductible for tax purpose	6,447	157,853
Tax effect of tax loss not recognised	875	33,407
Utilisation of tax losses previously not recognised	(10,643)	–
Deferred tax on undistributed earnings of PRC subsidiaries	–	(23,015)
Income tax credit for the year	–	(22,627)

11. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

	2015 *RMB'000*	2014 *RMB'000*
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,592**	1,441
Cost of inventories recognised as an expense	**157,988**	220,846
Depreciation of property, plant and equipment	**10,595**	25,350
Amortisation of intangible assets	**–**	3,624
Amortisation of prepaid lease payments	**2,724**	3,018
Less: amounts included in biological assets	**(1,786)**	(1,786)
	938	1,232
Research and development costs recognised as an expense (included in administrative expenses)	**–**	8,300
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**16,740**	18,954
– sales commission	**6,815**	6,797
– retirement benefits schemes contributions	**4,302**	4,132
	27,857	29,883
Write off of inventories (included in cost of sales)	**1,743**	1,038
Impairment of property, plant and equipment	**–**	478,407
Impairment of prepaid lease payments	**–**	22,560
Impairment of intangible assets	**–**	22,157
Advertising and promotion expenses (included in selling and distribution expenses)	**14,001**	153,959

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Salaries	Retirement benefits scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2015				
Executive directors				
Mr. Wang Guangyuan ("Mr. Wang")	1,570	42	–	1,612
Mr. Zhang Hebin	565	32	–	597
Ms. Wang Lijuan	541	21	–	562
	2,676	95	–	2,771
Independent non-executive directors				
Mr. Li Changgao (resigned on 15 January 2016)	147	–	–	147
Mr. Lai Chi Keung, Albert	147	–	–	147
Mr. Sih Wai Kin, Daniel	147	–	–	147
	441	–	–	441
	3,117	95	–	3,212

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued

	Salaries *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
For the year ended 31 December 2014				
Executive directors				
Mr. Wang	1,536	42	–	1,578
Mr. Zhang Hebin	554	32	–	586
Ms. Wang Lijuan	530	21	–	551
	2,620	95	–	2,715
Independent non-executive directors				
Mr. Li Changgao	144	–	–	144
Mr. Lai Chi Keung, Albert	144	–	–	144
Mr. Sih Wai Kin, Daniel	144	–	–	144
	432	–	–	432
	3,052	95	–	3,147

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Wang is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

13. FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2015, of the five individuals with the highest emoluments in the Group, two (2014: two) were directors of the Company whose emoluments were disclosed in note 12 above. The emoluments of the remaining three (2014: three) highest paid individuals were as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowance and benefits in kind	**1,862**	2,970
Performance related bonuses	**–**	–
Equity-settled share option expense	**–**	–
	1,862	2,970

Their emoluments were within the following bands:

	2015	2014
	No. of employees	*No. of employees*
Below HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	3	3

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS (LOSSES) PER SHARE

The calculation of the basic and diluted earnings (losses) per share attributable to the owners of the Company is based on the following data:

	2015	2014
	RMB'000	*RMB'000*
Earnings (losses) for the year attributable to owners of the Company and earnings (losses) for the purposes of calculating the basic and diluted earnings (losses) per share	**6,850**	(658,968)

	2015 & 2014
	Number of shares
Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (losses) per share	2,013,018,000

For the year ended 31 December 2015 and 2014, the computation of diluted earnings (losses) per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in earnings (losses) per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Leasehold improvements	Plant and machinery	Fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2014	433,538	6,517	333,990	11,501	3,428	–	788,974
Additions	18,587	3,419	57,153	4,760	302	9,800	94,021
Disposal	–	–	(187)	–	(222)	–	(409)
At 31 December 2014	452,125	9,936	390,956	16,261	3,508	9,800	882,586
Additions	–	419	966	–	–	–	1,385
Transfer	–	–	9,800	–	–	(9,800)	–
Disposal	–	–	(1,424)	–	–	–	(1,424)
At 31 December 2015	452,125	10,355	400,298	16,261	3,508	–	882,547
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	78,641	3,473	153,072	2,179	1,916	–	239,281
Provided for the year	9,532	4,326	9,037	1,830	625	–	25,350
Impairment loss recognised in profit or loss	274,499	1,881	202,027	–	–	–	478,407
Disposal	–	–	(162)	–	(186)	–	(348)
At 31 December 2014	362,672	9,680	363,974	4,009	2,355	–	742,690
Provided for the year	3,577	220	4,021	2,267	510	–	10,595
Disposal	–	–	(1,424)	–	–	–	(1,424)
At 31 December 2015	366,249	9,900	366,571	6,276	2,865	–	751,861
CARRYING VALUES							
At 31 December 2015	85,876	455	33,727	9,985	643	–	130,686
At 31 December 2014	89,453	256	26,982	12,252	1,153	9,800	139,896

16. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment, except for construction in progress are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values at the following rates per annum:

Buildings and structures	4%, or over the terms of lease, whichever is shorter
Leasehold improvements	50%
Plant and machinery	5% – 10%
Fixtures and office equipment	20%
Motor vehicles	20%

The buildings are situated on land in the PRC.

The directors of the Company conducted a review on carrying amount of the Group's property, plant and equipment and determined that a number of those assets were impaired. The recoverable amounts of the relevant assets had been determined on the basis of their value in use. The discount rates adopted in measuring the amounts of value in use ranged from 24% to 26%. The carrying amounts of these assets are less than their recoverable amounts. Accordingly, impairment losses of RMB478,407,000 had been recognised to profit or loss during the year ended 31 December 2014.

17. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1 January 2014, 31 December 2014 and 2015	93,059
AMORTISATION AND IMPAIRMENT	
At 1 January 2014	5,172
Provided for the year	3,018
Impairment loss recognised in profit or loss	22,560
At 31 December 2014	30,750
Provided for the year	2,724
At 31 December 2015	33,474
CARRYING VALUES	
At 31 December 2015	59,585
At 31 December 2014	62,309

17. PREPAID LEASE PAYMENTS – continued

	2015 *RMB'000*	2014 *RMB'000*
Analysed for reporting purposes as:		
Non-current asset	**56,862**	59,586
Current asset	**2,723**	2,723
	59,585	62,309

The directors of the Company conducted a review on recoverable amount of the prepaid lease payments. The recoverable amounts had been determined by fair value less costs to sell. The fair value had been determined by the directors of the Company, arrived by reference to market evidence of transaction prices of similar prepaid lease payments in the similar locations and conditions. Accordingly, impairment loss of RMB22,560,000 had been recognised to profit or loss during the year ended 31 December 2014.

18. INTANGIBLE ASSETS

	Trademarks *RMB'000*
Carrying amount at 1 January 2014	25,781
Amortisation for the year ended 31 December 2014	(3,624)
Impairment loss recognised in profit or loss during the year ended 31 December 2014	(22,157)
Carrying amount at 31 December 2014 and 2015	–

The trademarks were purchased as part of a business combination of Yantai Baiyanghe during the year ended 31 December 2013 and were amortised on a straight-line basis over 5 to 9 years.

The directors of the Company conducted a review on recoverable amount of the intangibles assets. The recoverable amounts of the trademarks had been determined on the basis of the value in use. Accordingly, impairment loss of RMB22,157,000 had been recognised to profit or loss during the year ended 31 December 2014.

19. BIOLOGICAL ASSETS

The Group is primarily engaged in the manufacturing and sale of grape wine products. The biological assets represent grapevines located in PRC which can produce grapes and grape juice is then produced from grapes after further processing. Movements of biological assets, representing grape vines before harvest, are summarised as follows:

	Immature grapevines *RMB'000*	Infant grapes *RMB'000*	Total *RMB'000*
At 1 January 2014	5,750	–	5,750
Increase due to cultivation	4,983	–	4,983
Transfer to infant grapes	(1,989)	1,989	–
Transfer to inventories	–	(1,989)	(1,989)
Change in fair value of biological assets	(1,274)	–	(1,274)
At 31 December 2014	7,470	–	7,470
Increase due to cultivation	5,101	–	5,101
Transfer to infant grapes	(4,750)	4,750	–
Transfer to inventories	–	(4,750)	(4,750)
Change in fair value of biological assets	(201)	–	(201)
At 31 December 2015	7,620	–	7,620

Cultivation costs incurred as addition to the immature grapevines. During the years ended 31 December 2015 and 2014, infant grapes were transferred from immature grapevines at its fair value.

All grapes are harvested annually from August to November of each year. Infant grapes of RMB4,750,000 (2014: RMB1,989,000) are transferred to inventories of the Group for production. The Group has remeasured the fair value of the harvest at the spot of transferring to inventories during the year. After the harvests, plantation works commenced again on the grapevines.

As at the years ended 31 December 2015 and 2014, the Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of the grapevines.

19. BIOLOGICAL ASSETS – continued

The fair value of grapevines is calculated using a discounted cash flow technique by discounting the future cash flows of grapevine into their present values. The following table gives information about how the fair values of these biological assets are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Biological assets	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Range
Grapevines	3	Income approach The key inputs are:			
		(1) Growth rate of average production quantity per grape tree;	(1) Growth rate of average production quantity per grape tree taking into account of life cycle of grapevine.	(1) The higher the growth rate of average production quantity, the higher the fair value.	(1) 3% (2014: 3%) per annum for all types of grapes.
		(2) Production quantity per grape tree;	(2) Production quantity per grape tree.	(2) The higher the production quantity per grape tree, the higher the fair value.	(2) 1.03 kg to 7.73 kg (2014: 0.43kg to 8.69kg), various from different types of grapes at different time periods.
		(3) Market price per kilogram ("kg") of grapes; and	(3) Market price of grapes.	(3) The higher the market price, the higher the fair value.	(3) RMB3.00 per kg to RMB16.70 per kg (2014: RMB3.06 per kg to RMB16.67 per kg), various from different types of grapes.
		(4) discount rate	(4) Discount rate, taking into account of nature of winery industry and grapes production prevailing market condition.	(4) The higher the discount rate, the lower the fair value.	(4) 19% (2014: 19%)

20. INVENTORIES

	2015 *RMB'000*	2014 *RMB'000*
Raw materials and consumables	**45,967**	53,313
Work in progress	**250,391**	242,198
Finished goods	**16,361**	19,674
	312,719	315,185

21. TRADE RECEIVABLES

The Group allows a credit period of 90 days to its trade customers except for the new customers which payment is made when goods are delivered. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 *RMB'000*	2014 *RMB'000*
0 – 30 days	**42,484**	50,340
31 – 60 days	**22,001**	27,631
61 – 90 days	**20,217**	19,144
	84,702	97,115

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

No trade receivable balance is past due at the end of the reporting period.

22. DEPOSITS AND OTHER RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Prepaid other taxes	**–**	1,875
Other deposits and prepayments	**12,153**	10,201
	12,153	12,076

23. BANK BALANCES AND CASH

Bank balances carry interest at average market rates ranging from 0.01% to 0.35% (2014: 0.01% to 1.34%) per annum.

24. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**3,706**	5,347
31 – 60 days	**4,221**	4,399
61 – 90 days	**1,380**	9,571
	9,307	19,317

The average credit period on purchase of raw materials ranges from two to three months.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Payables for the construction of building and structures, acquisition of property, plant and equipment	**–**	5,209
Accrued expenses	**17,305**	14,244
Other tax payables	**13,261**	10,169
Other creditors	**2,797**	4,392
	33,363	34,014

26. DEFERRED TAX LIABILITIES

	Undistributed profits of PRC subsidiaries	Acquisition of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	16,570	6,445	23,015
Credit to profit or loss during the year ended 31 December 2014	(16,570)	(6,445)	(23,015)
At 31 December 2014 and 2015	–	–	–

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1 dividend distributed out of the profit generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax which is withheld by the PRC subsidiaries.

In prior years, deferred tax liabilities were recognised for the undistributed profits of PRC subsidiaries. During the year ended 31 December 2014, the PRC subsidiaries incurred net losses, the deferred tax liabilities recognised previously for the undistributed profits of PRC subsidiaries were reversed and credited to profit and loss accordingly.

At the end of the reporting period, the Group has unused tax loss of RMB599,780,000 (2014: RMB638,852,000) available for offset future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, at the end of reporting period, the unrecognised tax loss of RMB462,652,000, RMB133,628,000 and RMB3,500,000 will expire in 2018, 2019 and 2020, respectively.

27. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares '000 at HK$0.01 per share	Amount
		HK$'000
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	10,000,000	100,000
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 31 December 2015	2,013,018	20,131
Shown in the consolidated financial statements At 31 December 2014 and 2015	RMB equivalent	17,624

None of the Company's subsidiaries sold or redeemed any of the Company's listed securities during the years ended 31 December 2015 and 2014.

28. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 28 November 2009 for the primary purpose of providing incentives to eligible participants including directors, employees, supplier of goods and services, consultant, adviser, contractor, business partner or service partner which will expire on 27 November 2019. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

28. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme of the Company: – continued

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 40,000,000 (2014: 56,000,000), representing 1.99% (2014: 2.78%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the year ended 31 December 2015, 16,000,000 share options to employees were lapsed.

Details of specific categories of outstanding options as at 31 December 2015 and 2014 are as follows:

Date of grant	Number of options	Vesting period	Exercisable period	Exercise Price
18 May 2012	40,000,000 (2014: 56,000,000)	N/A	18 May 2012 to 17 May 2017	HK$0.71

28. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme of the Company: – continued

The following table discloses movements of the Company's share options granted under the Scheme during the years:

Category of participant	Outstanding at 1.1.2014	Granted during the year	Lapsed/ forfeited during the year	Excised during the year	Outstanding at 31.12.2014	Granted during the year	Lapsed/ forfeited during the year	Excised during the year	Outstanding at 31.12.2015
Employees	56,000,000	–	–	–	56,000,000	–	(16,000,000)	–	40,000,000
Exercisable at the end of the year					56,000,000				40,000,000

The outstanding share options as at 31 December 2015 and 2014 were granted on 18 May 2012. The estimate fair value of the options granted on the date is HK$0.18 per option.

The fair values were calculated using the Binomial model. The inputs into the model were as follows:

Date of grant	18 May 2012
Share price as at grant date	HK$0.70
Exercise price	HK$0.71
Expected volatility	51%
Risk-free rate	0.46%
Expected dividend yield	4.0%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by the historical volatility of the Company's share price.

29. OPERATING LEASES

The Group as lessee

	2015 RMB'000	2014 RMB'000
Minimum lease payments paid under operating leases during the year:		
Premises for office	**1,197**	4,773

At the year ended 31 December 2015, the Group had commitments for minimum lease payment under non-cancellable operating leases which fall due as follows:

	2015 RMB'000	2014 RMB'000
Rented premises for office		
Within one year	**817**	793
In the second to fifth year inclusive	**1,497**	–
	2,314	793

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of 2 to 3 years.

30. CAPITAL COMMITMENTS

Save as disclosed elsewhere in the consolidated financial statements, the significant capital commitments are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment, development of wine estate and wine cellar contracted for but not provided in the consolidated financial statements	22,744	26,729
Capital expenditure in respect of acquisition of property, plant and equipment, development of wine estate and wine cellar authorised but not contracted for	74,089	75,055

31. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund scheme, which contribution is matched by employees.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The Group made contributions to the retirement benefits schemes of RMB4,302,000 (2014: RMB4,132,000).

32. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015 *RMB'000*	2014 *RMB'000*
Short-term benefits	5,393	6,022
Post-employment benefits	199	54
	5,592	6,076

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below:

(a) General information of subsidiaries

Name of subsidiaries	Place of incorporation/ establishment and principal place of business	Issued and fully paid share/ registered capital	attributable equity interest held by the Company 2015 & 2014	Principal activity
Fullest Power Investments Limited ("Fullest Power") *(note 3)*	BVI	Ordinary shares US$100,000	100%	Investment holding
Rich Treasure Link Limited	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding and provision of administrative services
Topping Future Limited	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding
通化通天酒業有限公司 Tonghua Tongtian Winery Co., Ltd. *(note 1)*	PRC	Registered capital RMB87,110,000	100%	Manufacturing and sale of winery and beverage products and processing of grape juice
集安雅羅酒莊有限公司 Ji An Yaluo Wine Estate Co., Ltd. *(note 1)* (原名為通化通天葡萄酒莊園有限公司 Original name as Tonghua Tontine Wine Estate Co., Ltd.)	PRC	Registered capital HK$40,000,000	100%	Manufacturing and sale of winery and beverage products and processing of grape juice
通化通天綠色農業產業發展有限公司 Tonghua Tontine Green Agriculture Development Co., Ltd. *(note 1)*	PRC	Registered capital HK$28,000,000	100%	Grapes plantation
通化通天商貿有限公司 Tonghua Tontine Trading Co., Ltd. *(note 1)*	PRC	Registered capital HK$40,000,000	100%	Wholesales and retail of winery and beverage products
煙台白洋河釀酒有限責任公司 Yantai Baiyanghe *(note 2)*	PRC	Registered capital RMB4,949,960	60%	Manufacturing and sale of winery and beverage products and processing of grape juice

Note:

1. These companies are wholly-foreign owned enterprises established in the PRC.
2. The Company is a sino-foreign owned enterprise established in the PRC.
3. Except for Fullest Power, all subsidiaries are indirectly held by the Company.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

(b) Details of non-wholly owned subsidiary that has material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership and voting rights held by non-controlling interest	Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015 & 2014	**2015**	2014	**2015**	2014
			RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Yantai Baiyanghe	PRC	40%	**6,581**	(81,889)	**74,086**	67,505

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

(b) Details of non-wholly owned subsidiary that has material non-controlling interests – continued

Summarised financial information of Yantai Baiyanghe is set out below.

	2015 *RMB'000*	2014 *RMB'000*
Non-current assets	**34,619**	37,095
Current assets	**162,720**	145,833
Current liabilities	**(12,123)**	(14,165)
Equity attributable to owners of the Company	**111,130**	101,258
Non-controlling interests	**74,086**	67,505
Revenue	**95,463**	89,749
Expenses	**(79,011)**	(294,472)
Profit (loss) for the year	**16,452**	(204,723)
Profit (loss) attributable to:		
Owners of the Company	**9,871**	(122,834)
Non-controlling interests	**6,581**	(81,889)
	16,452	(204,723)
Net cash inflow (outflow) from operating activities	**22,289**	(6,018)
Net cash inflow (outflow) from investing activities	**335**	(8,729)
Net cash inflow (outflow)	**22,624**	(14,747)

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	2014
	RMB'000	*RMB'000*
Non-current Assets		
Investment in a subsidiary	–	–
Property, plant and equipment	393	–
	393	–
Current Assets		
Other receivables	747	82
Amounts due from subsidiaries	250,322	261,151
Bank balances	4	361
	251,073	261,594
Current Liability		
Other payables and accruals	(2,152)	(1,594)
Net Current Assets	248,921	260,000
Total Assets less Current Liabilities	249,314	260,000
Capital and Reserves		
Share capital	17,624	17,624
Reserves	231,690	242,376
Total Equity	249,314	260,000

The Company's statement of financial position was approved and authorised for issue by the board of directors on 24 March 2016 and are signed on its behalf by:

Wang Guangyuan
Executive Director

Zhang Hebin
Executive Director

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Movement in the Company's reserves

	Share premium *RMB'000*	Share options reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2014	910,541	8,259	(169,848)	748,952
Loss and total comprehensive expense for the year	–	–	(506,576)	(506,576)
At 31 December 2014	910,541	8,259	(676,424)	242,376
Loss and total comprehensive expense for the year	–	–	(10,686)	(10,686)
Share options lapsed	–	(2,360)	2,360	–
At 31 December 2015	910,541	5,899	(684,750)	231,690