ANNUAL REPORT 2018

T O N T I N E

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

CONTENTS

Financial Highlights

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profitability data					
Revenue	**354,911**	323,559	271,333	293,689	286,320
Gross profit	**76,485**	70,443	84,169	94,633	24,043
Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company and non-controlling interests	**4,026**	(37,094)	(99,076)	13,431	(740,857)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	**(3,654)**	(39,553)	(93,291)	9,581	(658,653)
(Loss) earning per share					
– Basic (RMB cents) *(Note 1)*	**(0.18)**	(1.96)	(4.63)	0.48	(32.7)
– Diluted (RMB cents) *(Note 2)*	**(0.18)**	(1.96)	(4.63)	0.48	(32.7)

	Year ended 31 December				
	2018	2017	2016	2015	2014
Profitability ratios					
Gross profit margin	**21.6%**	21.8%	31.0%	32.2%	8.4%
Net (loss) profit margin	**(1.0%)**	(12.2%)	(34.4%)	3.3%	(230.0%)
Effective tax rate	**N/A**	N/A	N/A	N/A	N/A
Return on equity *(Note 3)*	**(0.6%)**	(6.6%)	(14.1%)	1.4%	(64.2%)
Return on assets *(Note 4)*	**0.5%**	(5.4%)	(11.9%)	1.2%	(54.3%)
Operating ratios (as a percentage of revenue)					
Advertising and marketing expenses	**1.1%**	10.6%	37.2%	4.8%	53.8%
Staff costs	**8.2%**	9.1%	13.8%	9.5%	10.4%
Research and development	**0%**	0%	1.5%	0%	2.9%

Notes:

1. The calculation of basic (loss) earning per share is based on the (loss) profit and total comprehensive (expense) income 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 earning per share for the year ended 31 December 2015 does not assume the exercise of the Company's share options as the exercise price of those share options granted was higher than the average market price per share for the year ended 31 December 2015.

3. Return on equity is equal to the (loss) profit and total comprehensive (expense) income 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 (loss) profit and total comprehensive (expense) income 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

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities data					
Non-current assets	**207,377**	207,412	205,955	212,443	221,496
Current assets	**500,351**	510,628	531,381	619,790	605,263
Current liabilities	**52,723**	66,583	48,785	52,631	63,319
Non-current liability	**–**	–	–	–	–
Shareholders' equity	**576,565**	580,697	620,250	705,516	695,935
Non-controlling interests	**78,440**	70,760	68,301	74,086	67,505

	Year ended/as at 31 December				
	2018	2017	2016	2015	2014
Other key financial ratios and information					
Current ratios *(Note 5)*	**9.5**	7.7	10.9	11.8	9.6
Quick ratios *(Note 6)*	**5.0**	3.8	4.7	5.8	4.6
Gearing ratio *(Note 7)*	**–**	–	0.01	–	–
Net asset value per share *(RMB) (Note 8)*	**0.33**	0.32	0.34	0.39	0.38
Inventory turnover days *(days) (Note 9)*	**386**	478	739	712	462
Trade receivables turnover days *(days) (Note 10)*	**93**	64	75	113	100
Trade payables turnover days *(days) (Note 11)*	**17**	15	18	32	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 Lijun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Vincent
(appointed on 17 November 2018)
Mr. Lam Yiu Por (resigned on 17 November 2018)
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

COMPANY SECRETARY

Ms. Leung Ka Yan (resigned on 31 December 2018)
Mr. Wong Kwok Kuen
(appointed on 1 January 2019)

AUDIT COMMITTEE

Mr. Cheng Vincent *(Chairman)*
(appointed on 17 November 2018)
Mr. Lam Yiu Por (resigned on 17 November 2018)
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

REMUNERATION COMMITTEE

Mr. Cheng Vincent *(Chairman)*
(appointed on 17 November 2018)
Mr. Lam Yiu Por (resigned on 17 November 2018)
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

NOMINATION COMMITTEE

Mr. Lai Chi Keung, Albert *(Chairman)*
Mr. Wang Guangyuan
Mr. Yang Qiang

AUTHORISED REPRESENTATIVES

Mr. Wang Guangyuan
Ms. Leung Ka Yan (resigned on 31 December 2018)
Mr. Wong Kwok Kuen
(appointed on 1 January 2019)

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The People's Republic of China

INVESTOR RELATIONS CONSULTANT

CorporateLink Limited

COMPANY WEBSITE

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 2018: 2,013,018,000 shares
Board lot: 2,000 shares

STOCK CODE

389

FINANCIAL YEAR-END DATE

31 December

Chairman's Statement

Dear shareholders,

China is currently the fifth largest wine consuming country in the world. As the Chinese wine market has gradually become mature, more and more imported wines are flocking to the Chinese market to share a piece of the pie. In recent years, the wine import volume and import amount have grown continuously.

Although imported wine has boost domestic wine consumption and promoted the development of the domestic wine industry, it has also grabbed the market share of domestic wine. The domestic wine industry is entering an adjustment period and its total output continues to decline. On the other hand, the well-known brands that originally produced liquor in China, such as Maotai and Luzhou Laojiao, made high-profile marketing and promotion of their wine products in 2018, which made the domestic wine market more competitive.

The wine consumption capacity of second– and third-tier cities in China was further released in 2018, and the growth rate of some cities even exceeded that of first-tier cities. The release of wine consumption capacity in non-first-tier cities has prompted wine producers to further expand their channels and start to open wine stores in county-level cities along the coast. In second– and third-tier cities in Chinese Mainland where wine consumption is relatively immature but demand increases, the extended sales channels help expand the market. The red wines sold by the Group are mainly medium and low-priced. The popularization of wine consumption in second– and third-tier cities and the expansion of sales channels to these cities will help the Group further expand its market share.

As compared with loss and total comprehensive expense attributable to owners of the Company and non-controlling interests for the previous year, during the year under review, the Group had achieved a turnaround from loss and recorded profit and total comprehensive income for the year attributable to owners of the Company and non-controlling interests. This was mainly because we adjusted our sales strategy, reduced marketing and promotion expenses and deployed more resources to directly establish interactive contact with the end consumers instead. We also reorganized our sales channel and exercised strict control over product distribution expense, thus reducing our sales and distribution costs.

In 2018, the terminal form of wine had undergone some structural changes. Under the impact of the new retail concept, wine chain stores, wine-themed social spaces, wine unmanned vending machines, etc. have emerged to bring wine to the mass market in a more down-to-earth way. Under the trend of channel flattening, more and more wine companies have directed marketing targets to the terminal instead of turning to middlemen. In the year under review, the main marketing appeal of wine had become "cost-performance", "quality" and "let consumers buy good wine".

To keep a foothold in the intensified competition requires well-established sales channels. The Group has been devoted to consolidating its all-round sales platform. In addition to the traditional distribution network, the Group has also actively expanded online sales platform and promoted products via websites specialising in wine sales in recent years. Although the Group's products are mainly sold through distributors at present, the online platform plays an important role in sales promotion.

The Group's winery engaged in the production of high-end wine products under the Group's own brand will be put into production by stages. After nearly two years' calibration, the product quality and overall operation of the winery have become gradually stable. We can effectively enhance our competitiveness in the domestic market by launching products under our own brand, so as to demonstrate our advantage in differentiating our brand from other domestic brands.

As the overall economic environment is declining and consumption is slowing down, it is expected that the industry profit rate of wine sales will reduce in 2019. On the other hand, the competition in the domestic wine market is becoming increasingly fierce. More and more foreign wine manufacturers are striving to enter the Chinese market. While a few domestic wine manufacturers can produce differentiated products, most of them fail to establish distinctive brands and supply personalized products. In addition to launching its own branded winery products, the Group is also committed to creating a more distinctive product image in the product packaging and marketing strategy among target consumer group. During the year under review, the Group had launched 16 new products and its total number of product category was hence increased to 149. In particular, the newly launched distilled grape liquor "Tongtian Yaaru Wine「雅羅白」" recorded satisfying sales result in the Year, evidencing that the Group had successfully combined the varietal characteristics of vitis amurensis with its unique technology of using distillation to produce liquor, broke the traditional concept of grain distilled liquor and produced alkalescent distilled grape liquor that meets the taste of the domestic consumer. We also continue to maintain a rigorous quality control process to ensure that product quality reaches or exceeds the level of imported products at the same price.

In terms of industrial chain development, we are exploring the feasibility of investing in wineries at home and abroad and seeking opportunities to invest in online and offline sales platforms. Since the production base of the Group is located in the agricultural regions in the Northeast China, we hope to apply the Group's all-round quality control system and modern corporate management mode in other agricultural projects in the region to help promote agricultural and economic development in the region. Investing in other agricultural projects can not only make full use of the Group's financial and management resources, but also enable the Group to realise its horizontal business extension to build a more diverse source of revenue.

Wang Guangyuan
Chairman

15 March 2019

2018 Key Events

March 2018

Mr Wang Guangyuan was named The Person of the Year 2017 of the Chinese Wine Market

May 2018

Tontine White Ice Wine 2015 won a silver medal for China wine production region in 2018 CMB (Concours Mondial de Bruxelles)

Early July 2018

Honor 2012 Late Harvest Shuang Hong (Vitis amurensis) won the top gold award at the 9th International PAR Organic Wine Award 2018

Obtained certification of organic products – red wine

The production base of Tonghua Tongtian Winery Co., Ltd. was named Intangible Cultural Heritage – Production Base for Conservation by the Department of Culture and Tourism of Jilin Province

Obtained certification of organic products – wine grapes

INDUSTRY REVIEW

The PRC wine market has experienced prosperous development, and major productive countries have accelerated their promotional effort in the PRC market in recent years, leading to the dual growth of import volume and value of wine. According to relevant statistics, currently there are over 5,000 wine importers and distributors in China. In addition to wine-producers from France and Italy where numerous traditional European wineries are located, emerging wineries from Chile, Argentina, Australia, and even California also proactively vie for the market share of the PRC. From 2013 to 2017, China's wine import volume has increased from approximately 376,800 kiloliters to approximately 745,800 kiloliters[1]. In 2018, wine import volume recorded year-on-year decrease of approximately 7.8% to approximately 687,500 kiloliters[2], with annual import value amounting to approximately US$2,860 million.

The boom of import wine causes great impact as most of the domestic wine manufacturers are incompetent to offer featured product or differentiated product. In recent years, certain well-known liquor enterprises in Mainland China like Moutai and Luzhou Old Cellar have started to tap into the wine market to respond to challenge, and over the past year they had exerted greater efforts in promoting their wine products, resulting in more complex and competitive landscape.

Since 2012, the domestic wine industry has entered into a period of adjustment, and total output has kept declining but remained at around 1.1 million kiloliters. In 2017, the fifth consecutive year of such decline, the output recorded a year-on-year decline of 5.3% to 1,001 thousand kiloliters. From January to November 2018, wine output recorded a year-on-year decline of 7.0% to 581 thousand kiloliters. In view of these, it is expected that total wine output for 2018 would fall below 1,000 thousand kiloliters.

In recent years, domestic wine output has been sluggish among the fierce competition from domestic and foreign competitors. Average gross margin of listed wine companies decreased slightly and continuously, while their selling expense maintained at high level. In light of the low mechanization degree, less variety of grapes and under-developed quality certification and management system of the wine industry in Mainland China, it is expected that there would be another long period for the wine industry to go through adjustment and integration.

1. http://www.winesinfo.com/html/2018/1/12-76125.html

2. http://www.winesinfo.com/html/2019/2/12-80549.html

FINANCIAL REVIEW

For the year ended 31 December 2018, the performance of the Group improved, and the Group achieved a surplus over last year. This was mainly attributable to the adjustments made by the Group on sales strategies, reducing promotion and marketing expenses, which resulted in a significant decrease in advertising and marketing expenses on a year-on-year basis. On the other hand, the Group continued to consolidate sales channels, leading to a notable decrease in selling and distribution expenses during the Year.

During the Year under review, among the sales revenue of the major products of the Group, sweet wines recorded a slight decrease on a year-on-year basis; dry wines recorded an increase of approximately 10%; and the other wine products achieved a growth of more than threefold. Such changes in the product sales enabled the Group's revenue to increase by approximately 9.7% year-on-year to RMB354,911,000 in 2018. This led to an overall gross profit increase of approximately 8.6% to RMB76,485,000. During the Year under review, the Group recorded a profit and total comprehensive income for the year attributable to owners of the Company and non-controlling interests of RMB4,026,000, against a loss and total comprehensive expense attributable to owners of the Company and non-controlling interests of RMB37,094,000 for the previous year.

Profit and total comprehensive income for the year attributable to owners of the Company and non-controlling interests was less than that for the interim period, which was mainly because at the end of the Year, the Group made provision for some grape juice inventory. Related accounting treatment involves no cash flow outlays.

The following table shows the Group's gross profit, gross profit margin and year-on-year comparison during the Year:

	For the year ended 31 December		
	2018	2017	Year-on-year change
Overall gross profit *(RMB'000)*	**76,485**	70,443	+ 8.6%
Overall gross profit margin	**21.6%**	21.8%	– 0.2 percentage points

During the Year under review, overall gross profit margin of the Group was 21.6%. For our major products, gross profit margin of sweet wine stayed flat as compared with last year, while gross profit margin of dry wine products improved as product price increased. Income of the above two products accounted for nearly 90% of our total income of 2018, and contribution of the two products to our total gross profit was more than 95%.

During the Year under review, selling and distribution expenses of the Group dramatically decreased by approximately 48% year-on-year to RMB33,784,000. In addition, in response to the trend of market development, the Group slashed advertising investment in traditional media and turned to make wider use of new media for product promotion, resulting in the corresponding decrease in the advertising and promotion expenses. In 2018, the Group's advertising and marketing expenses decreased by approximately 88% year-on-year to RMB3,959,000. Dramatic decline of these two expenses contributed to significantly enhanced overall operating efficiency of the Group, thus enabling the Group to record profits during the Year under review.

During the Year under review, the total cost of sales of the Group was RMB278,426,000, representing an increase of approximately 10% as compared to the previous year.

For the year ended 31 December 2018, the output of all categories of products manufactured by the two production bases of the Group located in Tonghua, Jilin Province and Baiyanghe, Shandong Province reached 17,755 tonnes in aggregate, representing an increase of approximately 7.1% year on year. In particular, the output of the Tonghua production base recorded an increase of approximately 9.0% year on year, while the output of the Baiyanghe production base was generally at the same level as last year.

Raw materials accounted for the largest portion of the cost of sales. The major raw materials required for the production of wine products of the Group consist of grape, grape juice, yeast, additives and packaging materials which include bottles, bottle caps, labels, corks and packaging boxes. During the Year under review, the cost of raw materials was RMB228,761,000, representing a year-on-year increase of approximately 14.6%, which accounted for approximately 82.2% of the total cost of sales of the Group.

The following table sets forth the breakdown of the costs required for production by the Group for the year ended 31 December 2018:

	For the year ended 31 December		
	2018	2017	Change
	(RMB'000)	*(RMB'000)*	*%*
Raw materials	**228,761**	199,564	+14.6%
Production overheads	**5,674**	13,218	–57.1%
Consumption tax and other taxes	**43,991**	40,443	+8.8%
Total cost of sales	**278,426**	253,116	10.0%

OPERATION REVIEW

In recent years, with wine getting increasingly popular among consumers and the rapid expansion of the middle class of China, changes are happening to the consumption landscape of wine which is undergoing a transition from the previous high-end and luxurious consumption to mass and lifestyle consumption. The sale of low and medium-priced wine is getting more buoyant. As a result, wine importers now intend to introduce more wines with higher value for money, especially wines from the New World, for certain regions of which the tariffs on wines imported to China have been lowered, bringing even greater competitiveness for these products in the PRC market.

In the face of increasing competition from imported products and the participation of domestic producers of other wine products in the wine market, during the Year under review, the Group had strengthened the development and promotion of new products and also actively reorganized the sales channels and adjusted the promotional methods in light of market development and changes in consumer groups and consumption patterns. Our self-developed "Tongtian Yaaru Wine（雅羅白）" recorded satisfactory sales during the Year. "Tongtian Yaaru Wine（雅羅白）" is a distilled liquor made of grapes, and contains a high level of alcohol which can better cater to the needs of the domestic traditional spirits consumers while it is of healthy concepts as an alkaline beverage without methanol. Such products have been well-received since its launching during the Year.

In order to effectively expand our base of young consumers, during the Year, the Group actively carried out targeted promotional events in a personalized and life-oriented manner through online media and mobile platforms, in an effort to raise awareness of the Group's products in the younger and middle-class consumer groups.

As one of the "Top 10 Chinese Wine Industry Brands", the Group is widely recognized among the industry and consumers. During the Year under review, the Group's products received multiple domestic and international awards. In May 2018, "Tontine White Ice Wine 2015" won a silver medal for China wine production region in "2018 CMB (Concours Mondial de Bruxelles)". In early July 2018, the Group won the Top Gold in the Ninth International PAR Organic Wine Award 2018 for its "Honor 2012 Late Harvest Shuang Hong (Vitis amurensis)", the only Top Gold won by Chinese participating companies in this award. In addition, the Company has been approved as a productive protection demonstration base for intangible cultural heritage of Jilin Province, which is located in the production base of Tonghua Tontine Winery Co., Ltd. in Tonghua County, Jilin Province; and the Group also won the title of "Best Investment Value Listed Company" in the 2017 China Wine Industry Listed Company Annual Summit.

OUTPUT VOLUME AND SALES

During the Year under review, the Group's production facilities in Tonghua, Jilin Province and Yantai Baiyanghe, Shandong Province produced a total of 13,696 tonnes and 4,059 tonnes of wine products respectively.

The Group mainly sells its grape wine products to distributors, who in turn distribute our products to supermarkets, cigarette and liquor specialty stores, food and beverage outlets such as restaurants and hotel restaurants and other third-party retailers or sell and distribute products directly to end consumers and other distributors. The Group has also been developing e-commerce sales channels.

For the year ended 31 December 2018, the Group's products were sold through 109 distributors located in 20 provinces, 3 autonomous regions and 4 municipalities in China. During the Year, the Group continued to optimize its sales network and strengthened the management of and coordination with distributors, and has integrated its sales structure to reduce intermediate links, thus slashing the sales and distribution expenses during the Year under review.

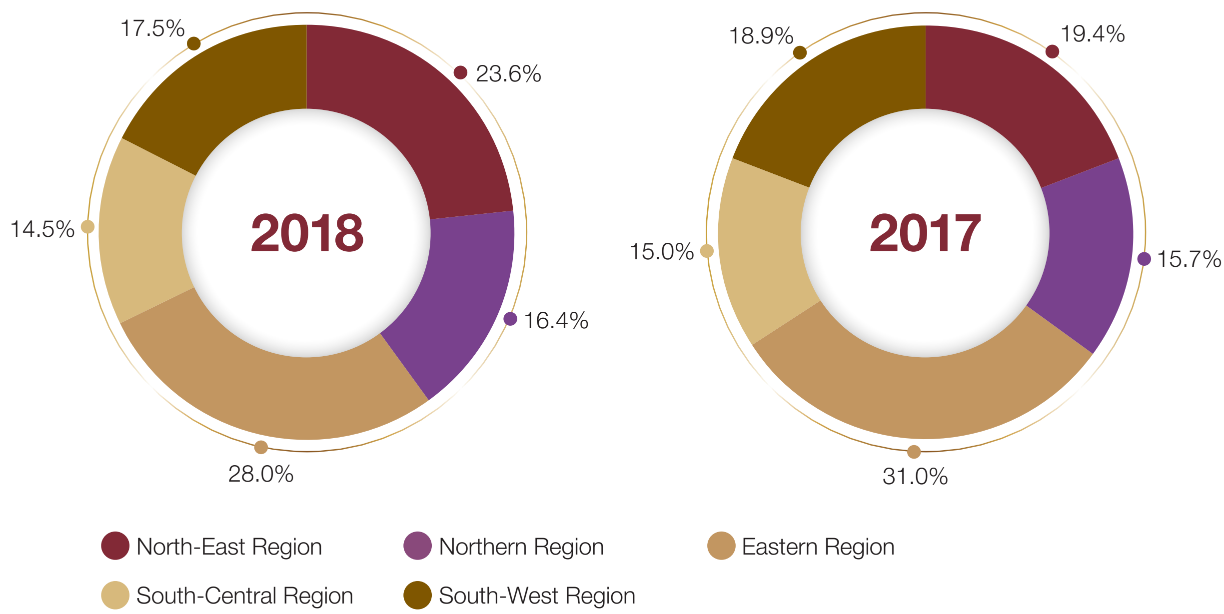
Production base and distribution network in 2018

Notes:

1. **North-East Region** includes the provinces of Heilongjiang, Jilin and Liaoning.
2. **Northern Region** includes the provinces of 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 Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.
6. Distribution network.
7. Production base.

REGIONAL MARKET PERFORMANCE

Below are the pie charts showing the respective breakdown of revenues from different regional markets of the Group in 2018 and 2017:



Due to the relatively developed economy and the high popularity of wine consumption, Eastern Region continued to be the largest market of the Group during the Year under review. The revenue of this region amounted to RMB99,371,000, representing 28% of the total revenue. The Eastern Region covers several relatively developed provinces across the PRC, and is one focus of the Group's marketing effort. Moreover, this region is also a major market for imported wine as it enjoys concentrated consumption power and is profoundly influenced by western culture.

The Group's products have obtained more recognition and brand recognition in the North-East Region where the Tonghua production base, Jilin Province locates, thus the business in this Region has achieved a steady rise. During the Year under review, sales revenue from the North-East region amounted to RMB83,836,000, representing 23.6% of the total revenue and a year-on-year increase of more than 30%. One reason was that other wine products achieved satisfying results in this region, in particular, "Tongtian Yaaru Wine"「雅羅白」was able to cater for the consumer's preference to hard drink in the North-East Region.

During the Year under review, the revenue in the Northern Region also recorded a year-on-year increase of nearly 15%, to RMB58,330,000, accounting for 16.4% of the total revenue. The sales revenue in the South-West Region amounted to RMB62,008,000, and the sales revenue in the South-Central Region amounted to RMB51,366,000. The sales revenue from such two regions both recorded year-on-year increase, and revenue from such two regions in aggregate accounting for 32% of the total revenue.

BUSINESS INDICATOR REVIEW

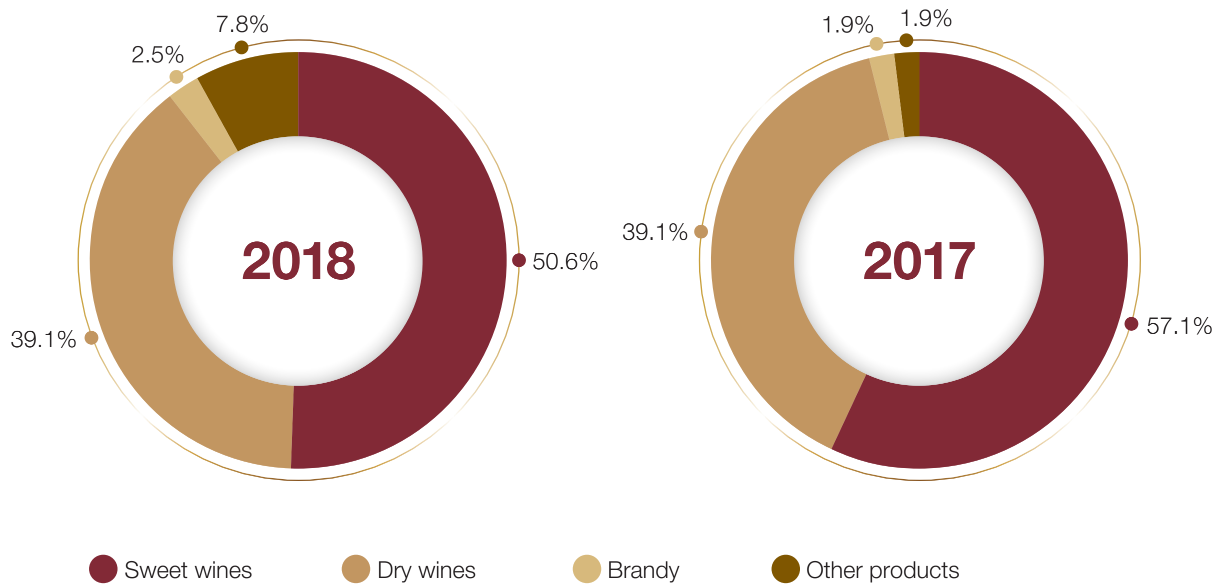
Inventory turnover days

The inventory turnover days of the Group as at the end of the Year stood at 386 days, representing a substantial decrease as compared to 478 days as at the end of previous year. This was mainly attributable to the sales increase in 2018 and various measures adopted by the Group for de-stocking, leading to a decrease of inventory turnover days.

Trade account receivables turnover days

As at 31 December 2018, the trade account receivables turnover days of the Group stood at 93 days, while the trade account receivables increased to RMB96,342,000 as a result of the increase in sales.

OPERATION ANALYSIS BY PRODUCT



Sweet Wines

For the year ended 31 December 2018, sweet wines continued to contribute the most to the Group's output and sales. Its revenue in 2018 amounted to RMB179,684,000, representing a slight decrease as compared with the corresponding period of last year. The sales of sweet wines recorded a significant increase in the second half of 2017 due to the Group's promotional activities mainly conducted in the second half of 2017. Annual sales of sweet wines in 2018 were relatively stable, with sales revenue in the second half slightly higher than that in the first half. The gross profit margin from sweet wine was approximately 19%, basically flat with last year. During the Year, the Group continued to improve the product structure of sweet wines, with some products with low gross profit eliminated.

Dry wines

During the Year under review, the sales revenue from dry wines amounted to RMB138,928,000, increased by 9.9% year-on-year, which was mainly attributable to the adjustment on product prices during the Year under review. Its gross profit margin was 28.5%, representing an increase of approximately 2 percentage points as compared with that of last year. The year-on-year growth of sales revenue from dry wine was mainly attributable to the improved awareness of dry wine among consumers and the enhanced market recognition to dry wines due to more understanding of its low-sugar and healthy characteristics among consumers through the soft promotion of the Group on the new media platform.

Brandy

During the Year under review, the Group's revenue from brandy reached approximately RMB8,770,000, accounting for approximately 2.5% of the total revenue.

Other products

Other products of the Group include high-end ice wines and white wines. In 2018, the Group's revenue from other products was RMB27,529,000, significantly increased by 339.4% year-on-year. During the Year, the gross profits from other products also increased by approximately 75%. The increase in revenue and gross profits was mainly attributable to the satisfactory sales of "Tongtian Yaaru Wine" (「雅羅白」), a grape distilled white wine developed by the Group. As a high-alcohol white wine with the aromas of fresh fruit, this product was produced by the use of the resource advantages in the cultivation of mountain grapes and the wine-brewing technology by distillation of the Group. "Tongtian Yaaru Wine" (「雅羅白」) was well received in the North-East Region and the Northern Region, which, to some extent, gave impetus to the Group's annual revenue and gross profit.

BUSINESS PROSPECTS

In 2019, both China's economy and the global economy will face unprecedented challenges. The widely-discussed trade disputes between China and the United States have yet to show any signs of easing. The world's top two economies have been wrestling with each other in various fields, bringing more unpredictable uncertainties to the global economic development. The US government has adjusted tariff preferences for many of its traditional allies, causing concerns among the European and even Asian countries and increasing the risk of international trade frictions.

China has just announced its expected economic growth of Mainland China to be between 6% and 6.5% this year, the lowest growth rate in 30 years, and the Premier of the State Council even has called for "making full preparation for tough battles".

In the face of uncertain economic prospects and the severe industrial competition, the Mainland China wine industry is expected to see more structural adjustments. On the one hand, wine companies need to strengthen cost control to maintain solid cash flows and a healthy financial position, and on the other hand, they should put more resources in the development of personalized products, brand packaging, sales channels and innovative promotional methods to maintain their market shares.

China began to reduce the import tax rate imposed on wine from some regions last year. For example, wine products imported from Australia have enjoyed zero tariffs this year according to the Sino-Australia Free Trade Agreement. Therefore, Australia follows France to become the second largest wine importer, which will create another shock for domestic wine producers. Quality certification and management system of domestic wines are relatively backward as compared to that of foreign countries, resulting in the quality of domestic wine products varying greatly without personalized brands of distinctive tastes.

Competing with imported products, domestic wines must maintain good and stable quality and ensure products' quality and safety, so as to gradually establish consumers' trust in the quality of domestic wines and their loyalty to domestic wine brands. In the future, it is expected that the brand marketing model led by the winery will become an innovative model for the development of the Chinese wine industry, and brands will be shaped through the winery model.

Jilin Tongtian Winery established by the Group for the development of high-end products has been ready for operation. Leveraging on the strengths of such winery, the Group plans to produce domestic mid-to-high end products with its own brand characteristics through the fully integrated operation all the way from grape plantation to wine brewing. The winery with proprietary mid-to-high end wines would also be advantageous to deepening the Group's brand building efforts.

During the Year, "Tongtian Yaaru Wine (雅羅白)" recorded satisfactory sales, demonstrating that this distilled liquor made of grapes caters to the taste of domestic consumers. We believe that this product has considerable development potential in the future. In 2019, the Group will focus on promoting "Tongtian Yaaru Wine (雅羅白)" product with a view to making it to become a new revenue and profit growth point.

The culture of wine consumption in Mainland China, especially in the first- and second- tier cities, is becoming more mature, and the younger generation and the middle class have gradually become the main consumers of wine. The Group plans to strengthen its efforts of marketing its ice wines for middle and high-end consumers this year. The Group's ice wines have won numerous international awards and their taste is comparable to that of famous ice wines production places such as Canada. Due to the relatively high retail price and the low production volume of ice wine, the Group has not put many promotional resources on this product in the past. With the development trend of the wine market in Mainland China and the increasing demand for differentiated products from consumers, we believe that strengthening the promotional efforts in the Group's ice wine products will help to enhance the brand's reputation in the industry and establish a distinctive brand image among the middle and high-end consumers.

The wine sales in Mainland China have maintained double-digit growth over the past few years, outshining other alcoholic products in terms of growth rate. However, domestic wine producers face fierce competition from foreign imported products as well as many other domestic brands, posing a severe test for them. The Group will continue to maintain its existing market share in a pragmatic and prudent manner, while catering to the preferences of the new generation of consumers by applying new retail models and incorporating new media campaign strategies. It will also continue to develop personalized and customized products in order to expand its customer base and diversify its revenue sources.

EXECUTIVE DIRECTORS

Mr. Wang Guangyuan（王光遠）, aged 57, 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*（通化通天酒業有限公司）since its establishment in 2001. He is responsible for the overall business strategy, 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 8th People's Congress（通化市第八屆人民代表大會）and a member of the Standing Committee of Tonghua County 16th People's Congress（通化縣第十六屆人民代表大會代表常委）, the Chairman of Tonghua County Industry and Commerce Association（通化縣工商業聯合會）and the Vice Chairman of Jilin Chamber of Commerce（吉林商會）. 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 with 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 Lijun, an executive Director 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 58, 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 Lijun (王麗君), aged 51, was appointed as our executive Director on 2 May 2017. 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 Guangyuan, the chairman of our Board, the chief executive officer and an executive Director of our Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Vincent (鄭嘉福), aged 55, was appointed as our independent non-executive Director on 17 November 2018. He is also the chairman of the audit committee and the remuneration committee of our Board. Mr. Cheng obtained a master degree in Business Administration from Deakin University in Australia (as a joint program of Deakin University and CPA Australia) in May 2003 and a bachelor of arts degree in Accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993. Mr. Cheng was admitted as a fellow of CPA Australia in December 2000, a fellow of the Institute of Chartered Secretaries and Administrators in October 2000, a fellow of HKICPA in April 2008 and a fellow of the Taxation Institute of Hong Kong in September 2010. He was also recognised by the Taxation Institute of Hong Kong as a certified tax adviser (CTA HK) in September 2010.

Mr. Cheng has years of experience in the fields of finance and accountancy. From December 1987 to September 2000, Mr. Cheng was employed with a financial planning firm and was promoted to chief accountant (Hong Kong) before he left. During October 2000 to February 2002, Mr. Cheng had been a project manager responsible for fund raising activities and relationship management in a company in Australia which is principally engaged in chemical and pharmaceutical business and was subsequently listed on the Growth Enterprise Market (now known as GEM) of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From May 2003 to July 2010, Mr. Cheng had joined Continental Holdings Limited, a company engaged in consumer goods business and listed on the main board of the Stock Exchange (stock code: 513), and had held various positions (including project manager, head of finance and accounts department, company secretary and qualified accountant) during his tenure of service. In January 2011, Mr. Cheng was appointed as the deputy finance director of a multi-disciplinary architecture firm and is currently its finance director.

Mr. Cheng had been the independent non-executive director of Nanjing Sinolife United Company Limited (a company listed on the main board of the Stock Exchange (stock code: 3332)) from August 2013 to October 2018. He is currently an independent non-executive director of Flying Financial Service Holdings Limited (a company listed on GEM of the Stock Exchange (stock code: 8030)).

Mr. Lai Chi Keung, Albert（黎志強）, aged 57, 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 58, 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.

SENIOR MANAGEMENT

Mr. Wang Jun（王軍）, aged 56, has been appointed as the chief winemaker of our Company since 1 January 2017. Prior to joining our Group, from August 1985 to January 2014, he served various positions 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, including director of chief engineer's office, director of research office, head of technical division, director of research institute and general manager. In 2014, Mr. Wang joined Hangzhou Oriental Culture Tourism Group（杭州東方文化園旅業集團）as general manager of one of its subsidiaries, Liaoning Northern Latitude 41 Degrees Wine Company Limited（遼寧北緯41度酒業有限公司）. He has been a member of the China Alcoholic Drinks Association（中國酒業協會）, China Food Industry Association（中國食品工業協會）, Wine Expert Panel of National Wine Quality Inspection Center（國家葡萄酒質檢中心葡萄酒專家組）and a national liquor judge since 1997. Mr. Wang was appointed as an international judge by Union Internationale des Oenologues（國際釀酒師聯盟）in 2008, certified as the first batch of state level senior winemaker（高級釀酒師）and first-class sommelier（一級品酒師）in 2012, and elected as a member of the First National Wine Brewing Standard Technology Committee Grape Wine Sub-branch（首屆全國釀酒標準化技術委員會葡萄酒分會）in 2014. He graduated from Food Science & Engineering of Dalian Institute of Light Industry（大連輕工業學院）(currently known as Dalian Polytechnic University（大連工業大學）) with a college diploma of industrial fermentation in August 1985.

* *For identification purposes only*

Mr. Yu Dazhou（于大洲）, aged 63, 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 manager 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.

Ms. Zhao Dan（趙丹）, aged 40, is the chief financial officer and the deputy general manager of our Company. She joined our Group in September 2001 and was promoted to the position of deputy general manager in December 2014. She was the chief financial officer of our Group from December 2014 to December 2015, and was re-appointed as the chief financial officer of our Group from July 2018. She is responsible for the financial and accounting management of our Group. Ms. Zhao graduated from Jilin University（吉林大學）with a higher diploma in finance and accounting in July 2000. She obtained her qualification of mid– level accountant in May 2005.

Mr. Zhang Xuexin（張學鑫）, aged 38, is a deputy general manager of our Company. He joined our Group in December 2001 and is responsible for project management of the Group. In December 2010, Mr. Zhang was promoted from project manager to his current position. Mr. Zhang graduated from Jilin University（吉林大學）with a higher diploma in economics in July 2002.

Ms. Feng Fu Qin（封福琴）, aged 53, 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）graduated with a bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a member of the ACCA and a member of the HKICPA (formerly known as the Hong Kong Society of Accountants). Mr Wong has over 18 years of experience in the fields of finance, auditing and accounting, and has practicable experience in acting as company secretary to companies listed on the Stock Exchange. He had acted as the company secretary of the Company from 6 November 2015 to 2 November 2017 and re-joined our Company on 1 January 2019. He is familiar with the Listing Rules and other regulatory requirements applicable to listed companies in Hong Kong.

Directors' Report

The board of directors (the "Board" or the "Directors") 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 2018 (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 loss for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 74 to 130.

The Directors do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2018 (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

During the Year, an increase of approximately RMB13.23 million in property, plant and equipment was mainly for the expansion and enhancement of the Group's 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 25 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 201,301,800 Shares, representing 10% of the Shares in issue on 19 November 2009 (the "General Scheme Limit").

(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.

As at 31 December 2018, the number of Shares that remained available for issue under the General Scheme Limit was 135,101,800.

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 2018	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2018	Vesting period	Exercisable period	Exercise price per share *HK$*	Closing price per share at date of grant of options *HK$*
A director	9 May 2016	16,550,000	–	–	–	–	16,550,000	–	9 May 2016 to 8 May 2021	0.263	0.255
Employees	9 May 2016	82,750,000	–	–	–	(33,100,000)	49,650,000	–	9 May 2016 to 8 May 2021	0.263	0.255
Total		99,300,000	–	–	–	(33,100,000)	66,200,000				

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 76.

As at 31 December 2018, the Company's reserves available for distribution amounted to approximately RMB98,394,000 (2017: RMB110,815,000).

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 comprising the Board 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 Lijun

Independent Non-Executive Directors:

Mr. Cheng Vincent (appointed on 17 November 2018)
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang
Mr. Lam Yiu Por (resigned on 17 November 2018)

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. Further, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board will hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), unless re-elected by the shareholders. 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 is therefore 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. Cheng Vincent (appointed on 17 November 2018), Mr. Lai Chi Keung, Albert, Mr. Yang Qiang and Mr. Lam Yiu Por (resigned on 17 November 2018) 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 20 to 23 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 2018, 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 of Shares held *(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 2018.

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 2018.

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

As at 31 December 2018, 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 of Shares held *(Note 1)*	Approximate percentage of issued Shares *(Note 7)*
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%
Clever Growth Limited *(Note 6)*	Beneficial owner	157,726,000(L)	7.84%
Mr. Yan Shaohua 晏紹華	Interest in a controlled corporation *(Note 6)*	157,726,000(L)	7.84%
	Beneficial owner	79,856,000(L)	3.97%
		237,582,000	11.81%

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) Clever Growth Limited is a company incorporated in the BVI, and is solely and beneficially owned by Mr. Yan Shaohua. Mr. Yan Shaohua is deemed to be interested in all the shares held by Clever Growth Limited by virtue of the SFO.

(7) The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 31 December 2018.

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 government of 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 32 to the consolidated financial statements. As at 31 December 2018, there was no forfeited contribution receivable for reduction of future contribution (2017: nil).

INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance in relation to the business of the Group or the provision of services to 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.

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 regard 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 share option scheme are set out on pages 25 and 26 of the Annual Report and in note 26 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 16.7% and 74.8% of the total sales and purchases of the Group respectively. The Group's largest customer and supplier accounted for around 4.1% and 29.0% of the total sales and purchases of the Group for the Year respectively. For the year ended 31 December 2018, none of the Directors or any of their close 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 Board has established its audit committee (the "Audit Committee") which comprises all the independent non-executive Directors (namely, Mr. Cheng Vincent; appointed on 17 November 2018, Mr. Lai Chi Keung, Albert, Mr. Yang Qiang and Mr. Lam Yiu Por; resigned on 17 November 2018).

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 Group's risk management and internal controls systems, as well as reviewed the Group's audited annual results for the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float as required under the Listing Rules during the Year and up to the date of the Annual Report.

DIRECTORS' INDEMNITIES

Pursuant to the Company's bye-laws, every Director, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses or other liabilities (to the extent allowed by the Companies Act 1981 of Bermuda (as amended)) which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties in respect of their respective offices or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage to indemnify the Directors and officers of the Group, and such indemnity was in force during the year ended 31 December 2018 and remain effective as at the date of the Annual Report.

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 applicable to the Group and its business operation from time to time.

During the Year and to the best of our Directors' knowledge, the Group had obtained the required permits and environmental approvals for its business and production facilities, and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

Please refer to the *Environmental, Social and Governance Report* contained in the Annual Report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

RELATIONSHIPS WITH BUSINESS PARTNERS AND CUSTOMERS

We value our relationships, 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.

AUDITOR

On 12 December 2018, Deloitte Touche Tohmatsu ("Deloitte") resigned as auditor of the Company as Deloitte could not reach a consensus with the Company on the audit fee for the financial year ended 31 December 2018. On 27 December 2018, the Company appointed ZHONGHUI ANDA CPA Limited as its auditor to fill the casual vacancy arising from the resignation of Deloitte. Please refer to the Company's announcements dated 12 December 2018 and 27 December 2018 for details of the above change of auditor.

ZHONGHUI ANDA CPA Limited will retire at the conclusion of the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer itself for re-appointment. A resolution will be proposed at the AGM to reappoint ZHONGHUI ANDA CPA Limited as auditor of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 May 2019 to Friday, 10 May 2019 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 10 May 2019. 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 by 4:30 p.m. on Monday, 6 May 2019.

ON BEHALF OF THE BOARD

Wang Guangyuan
Chairman and Executive Director
Hong Kong
15 March 2019

The board of directors (the “Directors” or the “Board”) of the Company (together with its subsidiaries, the “Group”) formulates 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, to 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 of Hong Kong Limited (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 2018 (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 operations, financial performance, compliance controls 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 20 to 22.

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 regarding, among others, internal control and risk management 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 the 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 4 May 2018**	**Number of board meetings attended/held during the Year**
Number of meeting(s)	1	8
Executive Directors		
Mr. Wang Guangyuan *(Chairman and CEO)*	1/1	8/8
Mr. Zhang Hebin	1/1	8/8
Ms. Wang Lijun	1/1	8/8
Independent Non-executive Directors		
Mr. Cheng Vincent (appointed on 17 November 2018)	N/A	3/3 (since appointment)
Mr. Lai Chi Keung, Albert	1/1	8/8
Mr. Yang Qiang	1/1	8/8
Mr. Lam Yiu Por (resigned on 17 November 2018)	1/1	2/5 (before resignation)

Save for the sibling relationship between Mr. Wang Guangyuan and Ms. Wang Lijun, the Board members have no financial, business, family or other relationships with each other. Each of the independent non-executive Directors has provided a written annual confirmation of his independence, and the Board is satisfied that his independence met the independence criteria set out in Rule 3.13 of the Listing Rules up to the date of this report.

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 a specific term of three years, 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 specific term of two years, which is renewable automatically for successive terms 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 Director 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 has been established by the Board with clear written terms of reference 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.

During the Year, the members of the Audit Committee were Mr. Cheng Vincent (Chairman of the Audit Committee; appointed on 17 November 2018), Mr. Lam Yiu Por (Chairman of the Audit Committee; resigned on 17 November 2018), Mr. Lai Chi Keung, Albert and Mr. Yang Qiang, who were all independent non-executive Directors. The Chairman of the Audit Committee has the appropriate professional qualification as required under Rule 3.10(2) of the Listing Rules.

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 Group's risk management and internal controls, adequacy of resources for performing the Group's accounting, financial reporting and internal audit functions, provided recommendation to the Board on the appointment and re-appointment of external auditor, as well as reviewed the Group's annual and interim results for the Year.

The Audit Committee was satisfied with the findings of its review of the engagement, effectiveness, independence and objectivity of the external auditor engaged by the Company.

Attendance of meetings

The Audit Committee held four 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. Cheng Vincent *(Chairman)* (appointed on 17 November 2018)	2/2	100% (since appointment)
Mr. Lai Chi Keung, Albert	4/4	100%
Mr. Yang Qiang	4/4	100%
Mr. Lam Yiu Por *(Chairman)* (resigned on 17 November 2018)	1/2	50% (before resignation)

Remuneration Committee

The Remuneration Committee has been established by the Board with clear written terms of reference 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.

During the Year, the members of the Remuneration Committee were Mr. Cheng Vincent (Chairman of the Remuneration Committee; appointed on 17 November 2018), Mr. Lam Yiu Por (Chairman of the Remuneration Committee; resigned on 17 November 2018), Mr. Lai Chi Keung, Albert and Mr. Yang Qiang, who were all independent non-executive Directors.

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 Group, 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 of the service agreements governing the appointment of the Directors and senior management of the Group and recommending to the Board their remuneration packages.

Of the ten senior management of the Group (including the Directors), two of which had resigned during the year ended 31 December 2018, details of the remuneration paid to them by band for the year ended 31 December 2018 are set out below:

Remuneration band	**Number of senior management**
Below HK$1,000,000	9
HK$1,500,001 to HK$2,000,000	1

Attendance of meetings

The Remuneration Committee held four meetings 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. Cheng Vincent *(Chairman)* (appointed on 17 November 2018)	2/2	100% (since appointment)
Mr. Lai Chi Keung, Albert	4/4	100%
Mr. Yang Qiang	4/4	100%
Mr. Lam Yiu Por *(Chairman)* (resigned on 17 November 2018)	1/2	50% (before resignation)

Nomination Committee

The Nomination Committee has been established by the Board with clear written terms of reference 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.

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. Yang Qiang (an independent non-executive Director).

Diversity policy

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 has been in place since August 2013 and reviewed by the Nomination Committee from time to time. The diversity policy 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.

Nomination policy and procedures

To ensure the composition of the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, the Company has, with the recommendation of the Nomination Committee, adopted a formal, considered and transparent procedures for the selection, appointment and re-appointment of Directors. The criteria to be taken into account when considering the suitability of a candidate will be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (based on the diversity policy adopted by the Company) as well as the effective carrying out of the responsibilities of the Board, in particular, the following:

(a) brining an independent judgment and make constructive recommendation on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the Audit Committee, the Remuneration Committee and/or the Nomination Committee (in the case of candidate for Non-Executive Director) and/or and other Board committee(s), if invited;

(d) devoting sufficient time to the Board and/or any Committee(s) on which he or she serves so as to allow them to benefit from his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board and/or Committee meetings;

(e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(f) ensuring the Committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director (INED), his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED as required under Rule 3.10(2) of the Listing Rules.

The Nomination Committee had nominated Mr Wang Guangyuan (an executive Director), Mr Lai Chi Keung, Albert (an independent non-executive Director) and Mr Cheng Vincent (an independent non-executive Director) to the Board for the Board to make recommendation to the Shareholders for re-election at the forthcoming annual general meeting of the Company, having reviewed the composition of the Board and having regard to the proposed re-elected Directors' professional experience, skills, knowledge and/or length of service, their commitment to their respective roles and functions, and their respective contributions brought and to be brought to the Group.

On the re-appointment of the two independent non-executive Directors, the Nomination Committee considered (and the Board shared the same views) that at all times during the period of directorship with the Company, Mr Lai Chi Keung, Albert and Mr Cheng Vincent had each properly discharged his duties and responsibilities as an independent non-executive Director and had made positive contribution to the development to the Company through independent, constructive and informed comments and participation at the business and other affairs relating to the Group. The Nomination Committee (as well as the Board) was satisfied with the independence of Mr Lai Chi Keung, Albert and Mr Cheng Vincent, having regard to the independence criteria as set out in Rule 3.13 of the Listing Rules and the annual confirmation given by each of them to the Company on his independence.

Mr Wang Guangyuan and Mr Lai Chi Keung, Albert, being two of the members of the Nomination Committee, each abstained from voting at the meeting of the Nomination Committee when his own nomination was being considered

Attendance of meetings

The Nomination Committee held two meetings during the Year in which the structure, size, composition and diversity of the Board, the nomination policy, the suitability of the proposed candidate(s) to fill the vacancy(ies) of the Board, 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)*	2/2	100%
Mr. Wang Guangyuan	2/2	100%
Mr. Yang Qiang	2/2	100%

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Year, the Company organised training session delivered by legal professional, as well as provided materials (including but not limited to updates on the Listing Rules and guidelines on disclosure of inside information and directors' duties), for the Directors. The level of participation by each Director is briefly set out below:

Name of Directors	Training matters Attendance of training session organised by the Company during the Year	 Distribution of training materials to Directors for self-reading during the Year
Mr. Wang Guangyuan	✓	✓
Mr. Zhang Hebin	✓	✓
Ms. Wang Lijun	✓	✓
Mr. Cheng Vincent (appointed on 17 November 2018)	N/A	✓
Mr. Lam Yiu Por (resigned on 17 November 2018)	✓	✓
Mr. Lai Chi Keung, Albert	✓	✓
Mr. Yang Qiang	–	✓

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.

DIVIDEND POLICY

As at 31 December 2018, the Company has in place a dividend policy. Under the dividend policy, the Company may distribute dividends by way of cash or by other means that the Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of the Board and, where applicable, the approval of the Shareholders. The Board will consider various factors before declaring or recommending any payment of dividends which factors include the results of operation of the business of the Group, the retained earnings and distributable reserves of the Company and each of the members of the Group, the Group's actual and expected financial performance, the general business conditions and strategies, the Group's expected working capital requirements and future expansion plans, the general economic conditions and business cycle of the Group's business, the future prospects of the business of the Group, shareholders' interests, statutory and regulatory restrictions on the payment of dividend and other internal or external factors that the Board deems appropriate.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, with the assistance of the Audit Committee, has overall responsibilities for maintaining good and effective risk management and internal controls of the Group. During the Year, the Board conducted an annual review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions for the year ended 31 December 2018 after the end of such financial year. 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, protect its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material mis-statement 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 risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and 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, internal audit and financial reporting functions, 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 risk management and 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, risk management 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 risk management and internal controls on the recommendations of 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, ZHONGHUI ANDA CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 71 to 73.

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	1,580
Non-audit services	
– Agreed-upon procedure work on preliminary results announcement for the year ended 31 December 2018	20
	1,600

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 securities transactions by Directors and relevant employees of the Group who, because of office or employment, are likely to be in possession of unpublished inside information in relation to the Group's securities. The Directors and such relevant employees are required to strictly follow the Model Code when dealing in the securities of the Company. The Directors and such relevant employees, after specific enquiries by the Company, confirmed their compliance with the required standards set out in the Model Code 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 place 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.

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the environmental, social and governance report (the "ESG Report") issued by China Tontine Wines Group Limited and its subsidiaries (the "Group" or "We"), which contains the sustainable development policy implemented by the Group during the year ended 31 December 2018 (the "Year") and the Group's performance in social governance and corporate civic responsibilities under the practice of the concept of sustainable development.

Reporting Scope

The ESG Report covers the overall environmental and social performance of the core business of the Group in the People's Republic of China ("PRC" or "Mainland China") during the Year.

Reporting Framework

The ESG Report was prepared in accordance with the requirements set out in "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The cross reference between content index of the ESG Reporting Guide and the ESG Report is set out on pages 64 to 70 of the ESG Report.

Stakeholder Engagement

The Group has been cooperating with its stakeholders in understanding and focusing on their needs through various channels and through feedbacks to assist us to have a better understanding of the level of the Group's current environmental and social development. The ESG Report was prepared by different departments of the Group. The information we gathered was not only the summary of the environmental and social work carried out by the Group during the Year, but also formed the basis for us to formulate short and long terms sustainable development strategies.

Information and Feedbacks

For detailed information regarding the financial performance and corporate governance of the Group during the Reporting Year, please refer to the official website (http://www.tontine-wines.com.hk) and the annual report of the Group.

Your opinions will be highly valued by us. If you have any suggestions or comments, please email at info@corporatelink.com.hk or write to the principal business place of the Company in Hong Kong.

Board Approval

The board of directors (the "Board") of the Group approved the ESG Report on 15 March 2019.

Information on Stakeholders

Stakeholders	Possible incidental issues	Communication and response
HKEx	Compliance with the Listing Rules, publishing of announcements in a timely and accurate manner	Meetings, trainings, seminars, programmes, updating of website and announcements
Governments	Compliance with laws and regulations, social welfare and prevention of tax evasion	Interactions and visits, government inspections, tax returns and other information
Suppliers	Payment schedule, supply stability	On-site research
Investors	Corporate governance system, business strategies and performance, investment return	Organization and participation of conferences, interviews, general meetings, provision of financial reports or business updates for investors, press and analysts
Media	Corporate governance, environmental protection and human rights	Posting of communications on the company website
Customers	Product/service quality, fair and reasonable pricing, value of service, protection for the labour force and work safety	Site visits and after-sale services
Employees	Rights and benefits, employee salaries, training and development, working hours and working environment	Conducting team activities, training, interviews, issue of staff manual and internal memorandum
Community	Community environment, employment and community development and social welfare	Organizing community activities, employees volunteering activities and community welfare, sponsorship and donations

THE GROUP AND THE ENVIRONMENT

The Group sources the supply of grapes for its production from Ji'An region, which is one of the major production sources in Mainland China. Ji'An region is the Chinese Demonstration Zone of agricultural standardised green food and the standardised production base of green food material. It is also among the few regions worldwide cultivating the vitis amurensis variety of grapes. Over the years of development and enhancement, the production model of the Group has been gradually improved with our plants equipped with the whole set of professional production lines of cleaning, destemming, crushing and pressing. The Group's industrial parks were classified as the National 4A Grade Tourism District.

Environmental Protection and Legal Compliance

The Group has been in compliance with local laws and regulations related to environmental protection in the PRC, including but not limited to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》), and the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). In addition, the Group engages third party qualified institutions for the environment assessment to carry out regular assessment on the environment protection of the Group, and attend filing with the local authority of environment protection for record. The existing environment protection management system will be upgraded continually through regularly monitoring and reviewing the energy conservation and emission reduction activities carried out during the course of business.

The Group strictly complied with a series of local and national regulations in respect of environment protection when conducting its business activities and production process. In 2018, the Group obtained all the necessary local and national-level licenses, as well as a series of approval and authorization on discharge, including but not limited to the national industrial product production permit, the waste discharge license, the water intake permit, the hygiene permit, and all the legal liabilities and requirements related to corporate business and normal operation.

During the Year, the Group had complied with all the regulations related to environment protection and there was no confirmed violations related to environment protection that had significant impacts on the Group.

Pollutant Discharge

Greenhouse Gas Emission

The greenhouse gas directly emitted by the Group is mainly from the burning fossil fuel in the production process and the use of commercial vehicles of the Group, and the greenhouse gas indirectly emitted is mainly produced by the use of outsourced electricity. For the sake of afforestation, the Group had planted trees in the production base in Tonghua City to reduce the greenhouse gas emission.

The fossil fuel is mainly burnt by the boiler in the production base in Tonghua City. The boiler is used in winter to maintain the indoor temperature required for the grape treatment and brewing, in addition to the heating and distillation in the production. At present, the Group adopts such coal with higher combustion value to reduce the emission of carbon dioxide ("CO_2"). The production base in Baiyanghe replaces coal with electricity in response to the environment protection requirements of the Yantai Municipal Government.

The exhaust gas is the flue gas produced during the operation of the boiler, the main pollutants of which are dust, sulphur dioxide and nitrogen oxides. After being filtered by equipment for desulfurization, denitrification and dust removal, the flue gas will be emitted through a high chimney, to ensure that the exhaust gas can meet emission standards. As the factories of the Group are located in the northeast and northern regions of Mainland China, there is a need for heating in winter. In order to reduce the emission of greenhouse gases emitted directly from the burning fuel, the Group implements different boiler operation modes by season, namely independent operation of gas production equipment in summer and combined operation of heating system and gas production equipment in winter. The dust and slag ash from chimney and dust removal equipment will be recycled by the brick factory according to the waste recycling process disclosed below.

Waste Recycling and Forwarding

During the process of grapes treatment and wine production, only a small amount of innocuous wastes will be generated, mainly including the grape stem which is generated after destemming and crushing, the seeds and skins of grapes which are generated after pressing as well as the solid portion which are generated during change of tanks and ageing. To mitigate the environment issues caused by any mislaid of waste disposal, the Group forwards the grape stem and solid portion to the farmers in the neighbourhood for use as fuel. Other innocuous wastes are collected by the municipal waste treatment facilities for centralised treatment.

In accordance with national regulations, the Group delivers a small amount of hazardous waste to the designated garbage recycler for subsequent treatment to ensure that no secondary contamination occurs. The Group collects wastes and delivers them to the enterprises with secondary recycling capability for treatment, for example, the slag is disposed by the brick plants, e-wastes and ink boxes are disposed by computer companies. Due to high utilisation of the aforesaid garbage in PRC, the Group provides the wastes to enterprises in need of them for free, so as to minimise the waste emission.

Since the innocuous wastes and hazardous wastes of the Group had been recycled and forwarded, the Group didn't record the total quantity of the innocuous and hazardous wastes.

Resource Usage

In compliance with the internal energy-saving measures of the Group, energy-saving lights are adopted currently. The Group strictly requires that all landscape lighting must be closed at 10 p.m. every night except on holidays. The control system of the landscape lighting is located in the main office building of the production base in Tonghua City, which is closed by the guard on duty. Except for the necessary facilities, duty officers will turn off the power supply of office building, while employees need to turn off the power supply of office equipment before leaving work, so as to save electricity.

In terms of water consumption, the Group uses underground water, and its wastewater mainly comes from domestic wastewater and production wastewater, including water used for canteen, equipment cleaning, glass bottles washing and cleaning. With an aim to save water, the Group uses glass bottles with high sanitary standards. After collection, the wastewater will be purified by the Group through a sewage treatment system, the quality of water discharged from which is designed to meet relevant standards of Tonghua Municipal Government. Such water is not drinkable, and will be used for garden plants irrigation, so as to save water.

In response to environmental protection, the Group has used recyclable materials for packaging, such as paper box made of recycled paper, reducing the use of new paper box. The wine corks of the Group are made of natural oaks. Soft oaks consist of two layers of bark. The inner bark can be vitalized and provides the basis for the growth of new bark each year. Therefore, the cork used by the Group will only pick withered outer bark during the process of picking the oaks, so as not to affect the continual growth of trees.

In addition, following the principle of sustainable development, the vineyards of the Group perform a fallow period of over four months in the cold winter each year to maintain soil fertility, so as to continually provide abundant nutrition for the grapes.

Data of coal fuel emission

Data of boiler emission	2018 *Ton*	2017 *Ton*
Nitrogen oxides	50	46
Sulfur dioxide	53	49
Dust	31	28

Data of greenhouse gas emission

		2018 *Ton*	2017 *Ton*
Scope 1[1]	Boiler	8,126	7,537
	Newly planted trees	/	(3)
Scope 2[2]	Electricity used	1,690	1,599
Total	Total CO_2 emissions	9,816	9,133
	Total CO_2 Emission Intensity (tons of CO_2/product per ton)	0.55	0.55

Data of energy consumption		2018	2017
Electricity used (kWh)		1,595,164	1,517,511
Intensity of electricity consumption (kWh/product per ton)		89.84	91.53

1 Scope 1: The greenhouse gas emission refers to the direct emission from fuel burning in the fixed emission sources. The figures stated only include the coal consumption, presented in the carbon dioxide equivalent (CO_2e). The calculation method is quoted from the "Standards and Guidance for Corporate Greenhouse Gas Emission Quantization and Report(企業溫室氣體排放量化和報告規範及指南)" promulgated by Market Supervision Administration of Shenzhen Municipality(深圳市市場監督管理局).

2 Scope 2: The greenhouse gas emission refers to the indirect emission of energy. The figures stated only include the electricity purchased from the power companies, presented in CO2e. The calculation method is quoted from the "CO_2e per electricity unit sold" of HK Electric, the "China Regional Grid Baseline Emission Factors in 2015(《2015中國區域電網基準線排放因子》") promulgated by the National Development and Reform Commission, as well as the"Building Simplified Life Cycle CO_2 Emissions Assessment Tool" promulgated by the Multidisciplinary Digital Publishing Institute.

Date of packaging material used for finished products

Type	2018 *Ton*	2017 *Ton*
Carton	1,111[3]	1,066
Bottle	12,292	12,172
Cork	101	89
Total	13,504	13,327

SOCIETY

Human Resource Overview

The Group is committed to protecting the legal interests of all its employees and in strict compliance with a series of labour laws of the People's Republic of China, such as the Employment Contract Law of the PRC (《中華人民共和國勞動合同法》), the Labor Law of the PRC (《中華人民共和國勞動法》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》).

During the Year, the Group focused on talent cultivation, strengthened the development of human resource, and selected talents according to the needs of long-term development and the policy of "morality first". We have introduced a system with a series of human resource policies, including but not limited to procedures concerning wages of employees, talent evaluation and selection and human resource management. The Group has established a diversified position system and career path for management, professional, technical and supporting specialists according to the latest market standards, in order to maintain the impetus of employees. Our human resource development plan includes following strategies:

- Promoting the selection of senior management of the Company
- Attracting talents with great potential
- Cultivating reserve personnel
- Enhancing talent exchange
- Regularly evaluating the work performance of employees
- Maintaining fair and reasonable competition mechanism

3 Consumption of carton may vary according to the package requirement from customers.

Employees of the Group have different religious belief and background. There is no any discrimination against gender, age, race, religious belief or physical disability during our recruitment process.

The Group complies with the Provisions on the Prohibition of Using Child Labor（《禁止使用童工規定》）of the PRC. A strict background check is adopted during the recruitment process to avoid employing child labour inadvertently. In addition, we would never force any employee to work by means of violence, threats, or illegal restriction of personal freedom during the business process.

The Group implements standard working hours for its employees, which is no more than eight hours per day and no more than forty hours per week. In addition to statutory holidays, employees are also entitled to other holidays including home leave, marriage and compassionate leave, maternity leave and paid annual leave, with strict compliance to rules of the country. The Group also contributes various social insurance premiums for all employees, including unemployment, medical care, maternity, work injury, pension, housing provident fund, etc.. Prior to joining or leaving the Group, employees need to take health examinations organized by the Group, in order to guarantee the personal health of employees and a safe production environment. Concerned with physical and mental health of employees, we actively encourage employees to participate in sports activities to improve their physical quality and enhance the vigor of the Group. In order to help the employees strike a balance between work and health, the Group also held tasting events and celebration parties for its employees and organized sports teams to participate in events held by governments, such as basketball matches and sports games, helping them maintain their physical and psychological health.

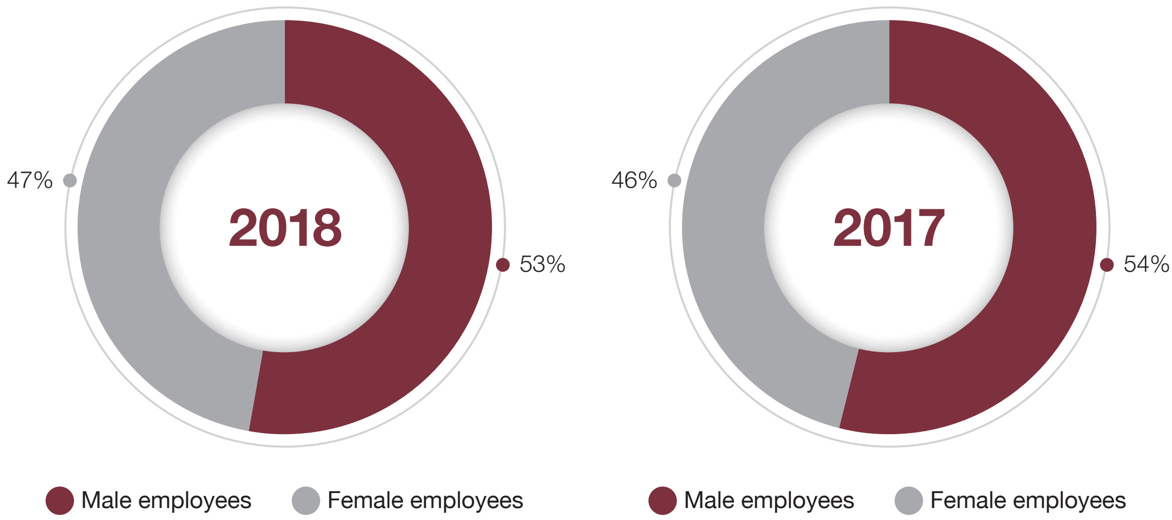
The Group had 480 employees in total as at 31 December 2018 (2017: 498). The structure is as follows:

	2018			2017		
Age group	Male employees	Female employees	Total	Male employees	Female employees	Total
18 – 25	0	2	2	0	2	2
26 – 35	23	41	64	55	30	85
36 – 45	68	108	176	64	124	188
46 – 55	84	123	207	84	109	193
56 – 65	20	6	26	20	6	26
Over 65	5	0	5	4	0	4
Total number	200	280	480*	227	271	498*

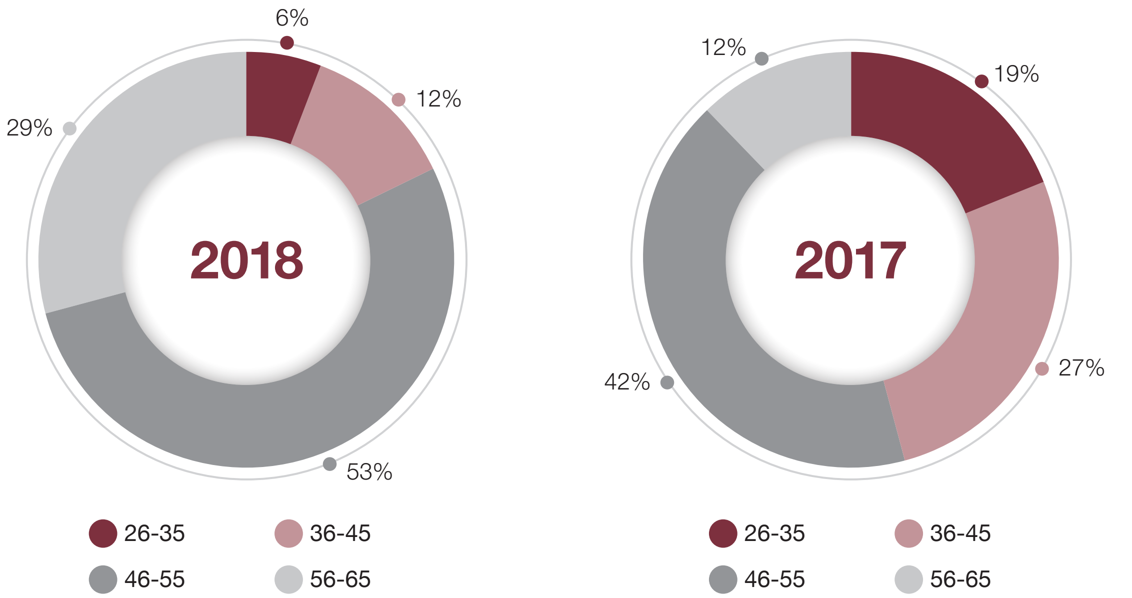
* All the employees have long-term labor contracts with the Group

Statistics of employee turnover are set out as follows:

Turnover rate by gender



Turnover rate by Age Group



Health and Safety

The Group complies with the Law of the PRC on the Prevention and Treatment of Infectious Diseases (《中華人民共和國傳染病防治法》), the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Provisions on the Supervision and Administration of Labor Protection Articles (《勞動防護用品監督管理規定》) and the Regulations Concerning the Labor Protection of Female Staff and Workers (《女職工勞動保護規定》). In order to enhance occupational safety, improve working conditions, safeguard employee's personal interests and ensure protection of life and property, the Group has formulated its internal production safety regulations. The Group has been committed to the principle of "Safety First, Prevention is a Priority" which requires that our productions should meet the safety requirements, with an aim to implementing safe production, sophisticated management and maintaining a clean and hygienic production site. Inter-departmental meetings will be held from time to time to review the safety and efficiency of work routines, remind employees of each department to keep the office clean and tidy, and always bear in mind the safe production during work.

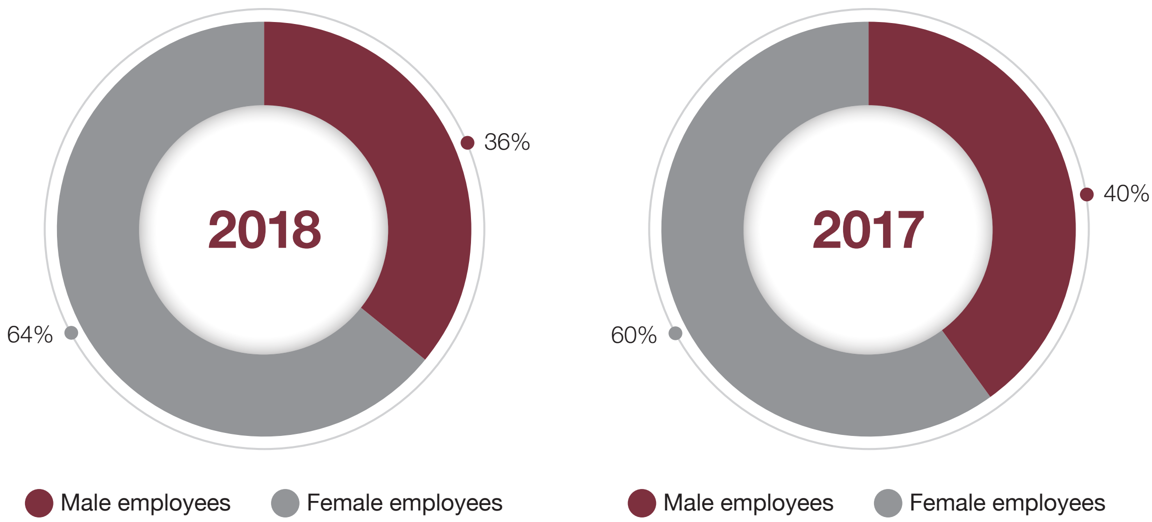
Interviewees shall provide relevant qualification certificates when recruited for special positions. The Group requires that employees whose positions are exposed to occupational hazards should accept a complete set of responsibility system for occupational diseases prevention, and support the management measures for the prevention of occupational diseases. All the employees of the Group shall take annual health examination as well as health and safety trainings, and a record of their examination results shall be kept to demonstrate the importance we place on the knowledge on occupational health of employees as a whole. The Group requires that the production and technical workers should be health certificate holders before commencement of work. The Group has taken several measures to prevent accidents such as using gloves and safety equipment in machinery maintenance, monitoring the management of plants and facilities, and offering safety management and education for employees. During the Year, the Group had arranged training on the management system and corporate culture, safe production, fire safety, and safety education and knowledge, held occupational health workshops, and publicized and implemented relevant national laws and regulations, so as to ensure the Group's occupational health and inspection work are well-performed.

Development and Training

The Group pays great attention to personnel trainings. Therefore, the Group formulates a comprehensive training program every year to enhance the professional knowledge and ethics of the staff, and help them produce high-quality wine products through the provision of education and training on professional ethics and relevant rules and regulations. According to the needs of different positions, the training plan of the Group in the Year covered wine knowledge, company management system, corporate culture, safe production, fire safety and production technology. The trainings on professional knowledge have effectively enhanced the employees' detailed understanding of the production process, the Group's management culture and safety measures. In order to guarantee product quality, the Group strengthens the training on the professional knowledge and technology for the personnel in the key production positions, so that employees can possess sufficient knowledge and corresponding supporting capability.

During the Year, the Group held symposiums in order to create closer relationship between the enterprise and employees, superiors and subordinates, and among employees themselves, offer opportunities for employees to voice their opinions, and enhance the sense of belonging of employees through communication. During the Year, the average hours of training of each male employee and female employee are 9.0 hours (2017: 7.3 hours) and 9.1 hours (2017: 8.4 hours), respectively.

Trained employees by the gender



Labor Standards

The Group is committed to protecting the human rights of employees in compliance with all the relevant laws and regulations. It is forbidden to employ forced labor and child labor, and candidates are required to provide certificate of identity, professional certificate and the severance certificate issued by former employer for identity verification during the recruitment.

If the Company is found to employ child labor or forced labor in violation of regulations, the Company will immediately terminate the labor contract, investigate into the reasons and liabilities, and impose due punishments on faulty employees. During the Year, the Group had no incidents of forced labor or child labor related-employment.

OPERATION PRACTICE

Product and Service

The Group is committed to researching, developing and launching diversified new products. In order to satisfy different needs of customers, the Group has launched grape wines of different prices and levels. In terms of the sales mode, the Group continues to depend on the traditional distribution channel, while proactively develops and expands the online consumption platform. Since 2016, it has begun to sell grape wine products online to give full play to the market function of the e-commerce model, develop diversified distribution channels, and expand the sales scope.

Supply Chain Management

The Group always aims to provide high-quality products to its customers. In order to manage the potential risks arising from our suppliers, before entering into contracts with them, the Group will carry out specific risk analysis. In addition to the quality of goods, the Group also focuses on whether there are reports on the environmental and social performance of our suppliers. If any relevant reports are found, the Group will inquire relevant suppliers, submit the review proposals to the supplier, and consider whether there is any need for replacement for new suppliers. It will also dispatch management staff to carry out strict investigation in the production base of the supplier, and randomly inspect documents of the supplier such as written records, in order to guarantee each supplier can satisfy the conditions stipulated by the Group prior to the signing of contracts. The management staff of the Group will make a detailed evaluation on the products and risks of its suppliers once more at least one month prior to the expiry of the contracts to determine whether to renew the cooperative relationship.

Strict Production Process

The Group owns a full set of professional production line and a professional winemaking management team to provide comprehensive quality instruction and control on each bottle of wine produced. The Group has obtained Food Production License and QS Certificate. From the first process of wine manufacturing, the grapes that we use are hand-picked and selected according to a high-standard requirement. With the professional instruction of winemakers and our advanced equipment, the grapes are gone through a number of general processes such as washing, stem removing, squashing, canning, temperature-controlled fermentation, base wine ageing, base wine adjustment, laboratory test, sterilization, bottling, packing, finished products, storage, transportation and so on and finally become wine in which we are fully confident.

During the Year, there were no return of products of the Group that had been sold or delivered due to safety and health problems, or receipt of any complaints on products and services.

Emphasis on Quality

The Group attaches great importance to product quality with strict quality management system in place and has been awarded ISO9001 Quality Management System Certification. The mountain grapes cultivated and the mountain grape wine produced in the Group's organic grape production base in Ji'an City has obtained GB/T19630.1-2011 Organic Products (Part I: Production) Certification and GB/T19630.2-2011 Organic Products (Part II: Processing) Certification, and also obtained GB/T19630.3-2011 Organic Products (Part III: Identification and Sales) Certification and GB/T19630.4-2011 Organic Products (Part IV: Management System) Certification. At the same time, certain wines of the Group have been awarded certifications by China Green Food Development Center, including Mountain Grape Wine, Dry Wine, Ice Wine, Hong Full Juice Mountain Grape Wine and Original and Wild Mountain Grape Wine, which are in line with the Green Product-Class A Standards and have been recognised as Green Food-Class A Products. The Group's great efforts on quality control was evident by the above achievements.

To ensure the stability of the Group's production supply, the departments of sales, production and supply will hold meetings to formulate production plan before mass production. For the grapes cultivated in vineyard, before procurement period of each year, inspectors from the Group will first check the grape maturity, and then complete the glucose checklist to confirm whether they are suitable for brewing. When the squeezed grapes are transported to workshops, inspectors will perform quality test on the grapes first, and then they will carry out sugar content detection occasionally to ensure the quality of grape juice. Meanwhile, winemakers will adjust the brewing formula according to the sugar content of grape juice to guarantee the consistent quality of all the finished products. In addition, the grape juice outsourced by the Group will be carried out testing inspection by technical department, and then delivered to manufacturing site after passing the inspection.

Production will not commence unless the samples taken by the Group's inspectors from the raw materials purchased and delivered to the workshop have passed the physical and chemical indicators test in laboratory. Unqualified raw materials will be taken out and returned to suppliers. Throughout the whole production process, inspectors will occasionally sample and test the product in progress or finished product in warehouse, and record the inspection results to ensure the quality of the wines produced meet the standards.

Emphasis on Safety

The Group has formulated a management system in various aspects such as personnel, equipment, raw materials, packaging materials, purchase inspection, product technical standards, detection standards and production environment control, and required the personnel of relevant departments to strictly comply with and implement relevant guidelines.

The production process of the Group complies with the Regulation on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全實施條例》). It is required that the production sites should keep clean at all time to ensure food safety. Raw materials shall be processed in line with the health requirements and containers of raw materials shall be cleaned regularly to prevent contamination. The Group has set stringent requirements for workers to enter production sites. Before entering the production sites, workers are required to conduct hand disinfection and pass the footbath pool; after entering the production sites, workers are required to wear neat work clothes, pants and hats, and uniforms shall be cleaned regularly. Production equipment, tools and containers shall also be thoroughly cleaned and disinfected both before and after use.

Emphasis on Reputation

The Group has been committed to building a long-term relationship of mutual trust with our customers. Therefore, all the Group's employees have been required to enter into a confidentiality agreement, covenanting that they will keep and handle the confidential information of customers with due care without disclosing any information to third parties. At the same time, in order to further safeguard our customers' information, the Group requires that outsiders and vehicles must be registered to reduce the leak risk of the assets of customers and the Company.

As a responsible enterprise and partner, the Group strictly complies with the process of the existing Finished Goods Inventory Management (《成品庫管理》) with an aim to sell products in the best condition through a prudent storage method. Products shall be stored by categories and managed on a quantitative basis. In addition, products should be inspected and maintained on a daily or regular basis according to their varieties, characteristics and storage conditions, including recording temperature, humidity and other indicators in the warehouse to prevent products from getting deteriorated, moldy, expired or damaged. The Group will conduct final check prior to delivery to ensure that products sold pass the quality management test.

The Group has also developed a complete return process. If quality problems are identified in raw materials or packaging materials, such materials will be immediately returned to suppliers as the Group refuses to use substandard materials. Meanwhile, the Group will accept products returned by customers due to quality problems so as to provide quality services to customers.

Emphasis on Management

To improve the management of the Group, we regularly conduct comprehensive review on corporate environmental sanitation and disciplines. If any non-compliance is identified in the process of review, the relevant issues will be reported to the corresponding department's manager for handling timely. Besides, the Group maintains frequent communication with its staff. All working procedures in the Group shall be performed with law and rule being abided by, any violation being investigated into with basis and solution to resort to, in order to improve the service quality.

In terms of sales of products, the Group carefully chooses distributors by evaluating their marketing approaches and creditworthiness, and only cooperates with the most appropriate ones after prudent consideration. By managing and monitoring the performance of our distributors, the Group ensures that customers are provided with quality services.

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》) and other laws and regulations, the Group carries out strict review procedures on the policies and regulation about advertising and labeling and conducts cross-checking of electronic files with cooperation partners, in order to ensure that the public can have a good and correct understanding of the product information.

Anti-corruption

The Group strictly adheres to the Criminal Law of the PRC (《中華人民共和國刑法》), the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong. Our staff is prohibited from participating in any illegal behaviors by taking advantage of their positions, including but not limited to bribery, fraud, and illegally obtaining or accepting properties from others.

The Group also severely cracks down on any money laundering activities conducted through public account or private account, in order to prevent any corruption or bribery within the Group. If any corruption is found, employees may report to the relevant managers of the Group or the local competent authority via phone, email, letters and other means.

During the Year, there were no lawsuits or allegations of corruption involving the Group or its employees.

Charity Campaigns

During the Year, the Group was honoured to be invited to attend the cultural and natural heritage exposition held in Tonghua City. As an exhibitor, the Group promoted the grape wine culture and related knowledge to the citizens in Tonghua City, enabling the public to have an understanding of the local major grape wine enterprises. The Group hopes that it can participate in more charity campaigns to make contributions to the sustainable development of the harmonious society.

THE STOCK EXCHANGE'S ESG REPORTING GUIDE

Key Performance Indicators (KPI)	ESG Report	Disclosure Section	Notes
A. Environmental			
A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental protection and legal compliance	
A1.1	The types of emissions and respective emission data	Data on greenhouse gas emission	
A1.2	Greenhouse gas emissions in total	Data of greenhouse gas emission	
A1.3	Total hazardous waste produced	N/A	There were no chemical or medical hazardous wastes produced during our production process.
A1.4	Total non-hazardous waste produced	Insignificant	A few innocuous wastes produced during our production process were collected by the municipal waste treatment facilities for centralised treatment or forward to the farmers in the neighbourhood for use as fuel.
A1.5	Description of measures to mitigate emissions and results achieved	Greenhouse gas emission	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste recycling and forwarding	

Key Performance Indicators (KPI)	ESG Report	Disclosure Section	Notes
A. Environmental			
A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		The Group and the environment	
A2.1	Direct and/or indirect total energy consumption by type	Data on greenhouse gas emission	
A2.2	Water consumption in total and intensity	N/A	The Group has obtained the State's permit(s) for water intake and sewage discharge which stipulate the amount of water that can be extracted for usage.
A2.3	Description of energy use efficiency initiatives and results achieved	Resource usage	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Resource usage	
A2.5	Total packaging material used for finished products	Data of packaging materials used by finished products	
A3: The Environment and Natural Resources			
General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		The Group and the environment	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Group and the environment	

Key Performance Indicators (KPI)	ESG Report	Disclosure Section	Notes
B. Social			
B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Human resource overview	
B1.1	Total workforce by gender, employment type, age group and geographical region	Human resource overview	
B1.2	Employee turnover rate by gender, age group and geographical region	Human resource overview	

Key Performance Indicators (KPI)	ESG Report	Disclosure Section	Notes
B. Social			
B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to provision of a safe working environment and protecting employees from occupational hazards.		Health and safety	
B2.1	Number and rate of work-related fatalities	N/A	During the Year, there were no work-related fatalities or injury occurred regarding employees of the Group.
B2.2	Lost days due to work injury	N/A	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety	
B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Development and training	
B3.1	Percentage of employees trained by gender and employee category	Development and training	
B3.2	Average training hours completed per employee by gender and employee category	Development and training	

Key Performance Indicators (KPI)	ESG Report	Disclosure Section	Notes
B. Social			
B4: Labor Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		Labor standards	
B4.1	Description of measures to review employment practices to avoid child and forced labor	Labor standards	
B4.2	Description of steps taken to eliminate such practices when discovered	Labor standards	
B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply chain management	
B5.1	Number of suppliers by geographical region	N/A	All suppliers are from mainland China.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply chain management	

<table>
<tr><th>Key Performance Indicators (KPI)</th><th>ESG Report</th><th>Disclosure Section</th><th>Notes</th></tr>
<tr><td colspan="4">B. Social</td></tr>
<tr><td colspan="4">B6: Product Responsibility</td></tr>
<tr><td colspan="2">General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer
relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.</td><td>Operation practice</td><td></td></tr>
<tr><td>B6.1</td><td>Percentage of total products sold or shipped subject to recalls for safety and health reasons.</td><td>N/A</td><td rowspan="2">During the Year, there were no products sold or shipped subject to recalls for safety and health reasons or products and service related complaints received</td></tr>
<tr><td>B6.2</td><td>Number of products and service related complaints received and how they are dealt with</td><td>N/A</td></tr>
<tr><td>B6.3</td><td>Description of practices relating to observing and protecting intellectual property rights</td><td>N/A</td><td></td></tr>
<tr><td>B6.4</td><td>Description of quality assurance process and recall procedures</td><td>Operation practice</td><td></td></tr>
<tr><td>B6.5</td><td>Description of consumer data protection and privacy policies, how they are implemented and monitored</td><td>Operation practice</td><td></td></tr>
</table>

Key Performance Indicators (KPI)	ESG Report	Disclosure Section	Notes
B. Social			
B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and outcomes of the cases	N/A	During the Year, there were no legal cases regarding corrupt practices or charges brought against the Group or its employees.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	
B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		N/A	The Group values the importance of contributing to the society and will spare no effort to provide assistance. Although the Group has not specified a set of policies for community engagement, we will review and consider the need to formulate such policies in the future, and make contributions for the sustainable development of the society.
B8.1	Focus areas of contribution	Charity campaigns	
B8.2	Resources contributed to the focus area	N/A	

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF CHINA TONTINE WINES GROUP LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

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 74 to 130, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories

Refer to Note 19 to the consolidated financial statements.

The Group tested the amount of inventories for impairment. This impairment test is significant to our audit because the balance of inventories of approximately RMB238,126,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on ordering and holding of inventories;

– Evaluating the Group's impairment assessment;

– Assessing the marketability of the inventories;

– Assessing the ageing of the inventories;

– Assessing the net realisable values of the inventories; and

– Checking subsequent sales and usage of the inventories.

We consider that the Group's impairment test for inventories is supported by the available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 15 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Revenue	*7*	**354,911**	323,559
Cost of sales		**(278,426)**	(253,116)
Gross profit		**76,485**	70,443
Other income, gains and losses	*9*	**45**	581
Selling and distribution expenses		**(33,784)**	(65,469)
Administrative and other operating expenses		**(43,253)**	(47,177)
Change in fair value of biological assets	*18*	**4,533**	4,594
Finance costs	*10*	**–**	(66)
Profit/(loss) before tax		**4,026**	(37,094)
Income tax expense	*11*	**–**	–
Profit/(loss) and total comprehensive income/(expense) for the year	*12*	**4,026**	(37,094)
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**(3,654)**	(39,553)
Non-controlling interests		**7,680**	2,459
		4,026	(37,094)
Loss per share	*15*		
Basic *(RMB cents)*		**(0.18)**	(1.96)
Diluted *(RMB cents)*		**(0.18)**	(1.96)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	16	**155,739**	153,095
Prepaid land lease payments	17	**48,690**	51,414
Biological assets	18	**2,948**	2,903
		207,377	207,412
Current assets			
Inventories	19	**238,126**	257,744
Trade receivables	20	**96,342**	85,388
Deposits and prepayments	21	**4,756**	5,575
Current tax recoverable		**5,551**	5,551
Prepaid land lease payments	17	**2,723**	2,723
Bank and cash balances	22	**152,853**	153,647
		500,351	510,628
Current liabilities			
Trade payables	23	**9,686**	11,847
Other payables and accruals	24	**33,076**	44,775
Current tax liabilities		**9,961**	9,961
		52,723	66,583
Net current assets		**447,628**	444,045
NET ASSETS		**655,005**	651,457
Capital and reserves			
Share capital	25	**17,624**	17,624
Reserves		**558,941**	563,073
Equity attributable to owners of the Company		**576,565**	580,697
Non-controlling interests		**78,440**	70,760
TOTAL EQUITY		**655,005**	651,457

The consolidated financial statements on pages 74 to 130 were approved and authorised for issue by the board of directors on 15 March 2019 and are signed on its behalf by:

Wang Guangyuan
EXECUTIVE DIRECTOR

Zhang Hebin
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2017	17,624	910,541	86,360	130,634	13,924	(538,833)	620,250	68,301	688,551
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(39,553)	(39,553)	2,459	(37,094)
Share option lapsed *(note 26)*	–	–	–	–	(6,998)	6,998	–	–	–
At 31 December 2017	17,624	910,541	86,360	130,634	6,926	(571,388)	580,697	70,760	651,457
At 1 January 2018, as previously reported	**17,624**	**910,541**	**86,360**	**130,634**	**6,926**	**(571,388)**	**580,697**	**70,760**	**651,457**
Effect of changes in accounting policies *(note 2)*	**–**	**–**	**–**	**–**	**–**	**(478)**	**(478)**	**–**	**(478)**
At 1 January 2018, as restated	**17,624**	**910,541**	**86,360**	**130,634**	**6,926**	**(571,866)**	**580,219**	**70,760**	**650,979**
Total comprehensive (expense)/ income for the year	**–**	**–**	**–**	**–**	**–**	**(3,654)**	**(3,654)**	**7,680**	**4,026**
Share option lapsed *(note 26)*	**–**	**–**	**–**	**–**	**(2,309)**	**2,309**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**2,087**	**–**	**(2,087)**	**–**	**–**	**–**
At 31 December 2018	**17,624**	**910,541**	**86,360**	**132,721**	**4,617**	**(575,298)**	**576,565**	**78,440**	**655,005**

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 2018

	2018 *RMB'000*	2017 *RMB'000*
Cash flows from operating activities		
Profit/(loss) before tax	4,026	(37,094)
Adjustments for:		
Interest income	(608)	(501)
Finance costs	–	66
Depreciation of property, plant and equipment	10,586	10,666
Gain on disposal of property, plant and equipment	–	(34)
Amortisation of prepaid land lease payments	938	938
Write-off of inventories	28,525	27,517
Loss allowance for trade receivables	298	–
Change in fair value of biological assets	(4,533)	(4,594)
Operating cash flows before working capital changes	39,232	(3,036)
Change in biological assets	(1,335)	(1,278)
Change in inventories	(3,084)	20,255
Change in trade receivables	(11,730)	(57,981)
Change in deposits and prepayments	819	8,582
Change in trade payables	(2,161)	5,990
Change in other payables and accruals	(11,699)	19,427
Net cash generated from/(used in) in operating activities	10,042	(8,041)
Cash flows from investing activities		
Purchases of property, plant and equipment	(11,444)	(13,661)
Interest received	608	501
Proceeds from disposal of property, plant and equipment	–	327
Net cash used in investing activities	(10,836)	(12,833)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
Cash flows from financing activities		
Repayment of bank borrowing	**–**	(7,925)
Interest paid	**–**	(66)
Proceed from bank borrowing	**–**	829
Net cash used in financing activities	**–**	(7,162)
Net decrease in cash and cash equivalents	**(794)**	(28,036)
Cash and cash equivalents at beginning of year	**153,647**	181,683
Cash and cash equivalents at end of year	**152,853**	153,647
Analysis of cash and cash equivalents		
Bank and cash balances	**152,853**	153,647

1. GENERAL INFORMATION

China Tontine Wines Group Limited (the "Company") is a public limited Company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is an investment holding company. The Company and its subsidiaries collectively referred to as the Group. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

Key changes in accounting policies resulting from application of HKFRS 9

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses, without restating comparative information.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

HKFRS 9 has been applied and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	1 January 2018 *RMB'000*
Decrease in trade receivable	478
Increase in accumulated losses	(478)

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets which are carried at their fair values less costs to sell.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise the judgements in the process of applying the accounting policies. The areas involving areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group's entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currency translation – continued

(c) Translation on consolidation – continued

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lifes on a straight-line basis. The principal annual rates are as follows:

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%
Bearer plants	Over the term of leased land

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Construction in progress represents buildings under construction and plant and equipment pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Biological assets

Biological assets comprise grapes growing on bearer plants 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 grapes. Costs to sell are the incremental costs directly attributable to the disposals of an asset, mainly transportation cost and excluding income taxes.

The related costs including picking cost and fertilisers and pesticide cost incurred for harvest of grapes are capitalised, until such time the grapes are harvested.

Operating leases

The Group as lessee

Leases that do not substantially transfer all the risks and rewards of ownership of assets to the Group are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasehold land and building – continued

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

Financial assets of the Group are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers – continued

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other income

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits – continued

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

The carrying amount of deferred tax assets is reviewed at the end of each 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties – continued

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies: – continued

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets except inventories and receivables 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY ESTIMATES

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, are discussed below.

(a) *Estimated allowances for inventories*

The management estimates the net realisable value of inventories based primarily on the estimated selling prices and current market conditions. Where the expectation on the net realisable value is lower than the cost, an impairment may arise. The Group carries out an inventory review at end of the reporting period and writes off of approximately RMB28,525,000 (2017: approximately RMB27,517,000) on obsolete and slow moving items to their net realisable values during the year ended 31 December 2018. As at 31 December 2018, the carrying amount of inventories is approximately RMB238,126,000 (2017: approximately RMB257,744,000).

(b) *Useful lives of property, plant and equipment*

In applying the accounting policy on property, plant and equipment with respect to depreciation, the 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.

4. KEY ESTIMATES – continued

(c) 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 18 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 approximately RMB4,533,000 (2017: approximately RMB4,594,000) was credited to profit or loss for the year. As at 31 December 2018, the carrying amount of biological assets is approximately RMB2,948,000 (2017: approximately RMB2,903,000).

(d) 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. As at 31 December 2018, the carrying amount of trade receivables is approximately RMB96,342,000 (2017: approximately RMB85,388,000), net of allowance for bad and doubtful debt of RMB776,000 (2017: Nil).

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Certain transactions and monetary assets and liabilities of the Group are denominated in Hong Kong Dollars ("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.

At 31 December 2018, if RMB had weakened/strengthened by 10% against HKD with all other variables held constant, the Group's profit after tax (2017: loss after tax) for the year would have been approximately RMB672,000 (2017: approximately RMB348,000) lower/higher (2017: higher/lower), arising mainly as a result of the foreign exchange differences on other payables and accruals denominated in HKD.

(b) Credit risk

The carrying amount of bank and cash balances and trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings.

In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

5. FINANCIAL RISK MANAGEMENT – continued

(b) Credit risk – continued

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

5. FINANCIAL RISK MANAGEMENT – continued

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follow:

	Repayable on demand *RMB'000*	3 months or less *RMB'000*	3 to 12 months *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amounts *RMB'000*
At 31 December 2018					
Trade payables	**–**	**9,686**	**–**	**9,686**	**9,686**
Other payables and accruals	**33,076**	**–**	**–**	**33,076**	**33,076**
	33,076	**9,686**	**–**	**42,762**	**42,762**
At 31 December 2017					
Trade payables	–	11,847	–	11,847	11,847
Other payables and accruals	44,514	–	261	44,775	44,775
	44,514	11,847	261	56,622	56,622

(d) Interest rate risk

The Group is exposed to cash flow interest 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.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December:

	Fair value measurements using:			
				Total
	Level 1	**Level 2**	**Level 3**	**2018**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurements:				
Biological assets				
Grapes	–	–	2,948	2,948

6. FAIR VALUE MEASUREMENTS – continued

(a) Disclosures of level in fair value hierarchy at 31 December: – continued

	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Biological assets				
Grapes	–	–	2,903	2,903

During the year ended 31 December 2018, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Reconciliation of assets measured at fair value based on level 3:

	Biological assets 2018
	RMB'000
At 1 January 2018	**2,903**
Increase due to cultivation	**1,335**
Transfer to inventories	**(5,823)**
Total gains recognised in profit or loss (#)	**4,533**
At 31 December 2018	**2,948**
(#) include gains or losses for assets held at end of reporting period	**4,533**

6. FAIR VALUE MEASUREMENTS – continued

(b) Reconciliation of assets measured at fair value based on level 3: – continued

	Biological assets 2017 *RMB'000*
At 1 January 2017	2,687
Increase due to cultivation	1,278
Transfer to inventories	(5,656)
Total gains recognised in profit or loss (#)	4,594
At 31 December 2017	2,903
(#) include gains or losses for assets held at end of reporting period	4,594

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the consolidated statement of profit or loss and other comprehensive income.

6. FAIR VALUE MEASUREMENTS – continued

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the directors at least twice a year.

As at the years ended 31 December 2018 and 2017, the Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of the grapes.

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation technique and key inputs	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 *RMB'000*
Grapes	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.	3%	Increase	
	(2) Production quantity per grape tree;	(2) Production quantity per grape tree.	1.30kg to 8.30kg	Increase	
	(3) Market price per kilogram ("kg") of grapes; and	(3) Market price of grapes.	RMB3.00 per kg to RMB17.00 per kg	Increase	
	(4) Discount rate	(4) Discount rate, taking into account of nature of winery industry and grapes production prevailing market condition.	23%	Decrease	
					2,948

6. FAIR VALUE MEASUREMENTS – continued

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December: – continued

Description	Valuation technique and key inputs	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 *RMB'000*
Grapes	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.	3%	Increase	
	(2) Production quantity per grape tree;	(2) Production quantity per grape tree.	1.59kg to 7.73kg	Increase	
	(3) Market price per kg of grapes; and	(3) Market price of grapes.	RMB3.00 per kg to RMB16.80 per kg	Increase	
	(4) Discount rate	(4) Discount rate, taking into account of nature of winery industry and grapes production prevailing market condition.	20%	Decrease	
					2,903

During the two years, there were no changes in the valuation techniques used.

7. REVENUE

The Group manufactures and sells wine products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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 wine products. The Group is organised based on the region of wine products delivered.

The Group's reportable and operating segments under HKFRS 8 Operating Segments are identified based on different geographical zones of wine products 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 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 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 segment profit or 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 2018						
Segment revenue from external customer	83,836	58,330	99,371	51,366	62,008	354,911
Segment profit	15,437	13,711	20,220	10,159	11,696	71,223
For the year ended 31 December 2017						
Segment revenue from external customer	62,744	50,908	100,447	48,498	60,962	323,559
Segment profit	6,732	4,933	9,975	4,067	6,784	32,491
As at 31 December 2018						
Segment assets	20,773	18,908	25,462	10,759	20,440	96,342
Segment liabilities	3,626	2,523	4,298	2,222	2,682	15,351
As at 31 December 2017						
Segment assets	20,720	11,726	23,764	9,493	19,685	85,388
Segment liabilities	4,955	4,020	7,931	3,831	4,814	25,551

Reconciliations of reportable segment revenue, profit or 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.

8. SEGMENT INFORMATION – continued

	2018 RMB'000	2017 RMB'000
Profit or loss		
Total profit or loss of reportable segments	71,223	32,491
Unallocated amounts:		
Change in fair value of biological assets	4,533	4,594
Other corporate income	608	581
Other corporate expenses	(72,338)	(74,760)
Consolidated profit/(loss) for the year	4,026	(37,094)

Reportable and operating segment profit represented the profit incurred by each segment without allocation of amortisation, depreciation, allowance for bad and doubtful debts of trade receivables, write off of inventories, change in fair value of biological assets, finance costs, other corporate expenses and other corporate income.

	2018 RMB'000	2017 RMB'000
Assets		
Total assets of reportable segments	96,342	85,388
Unallocated amounts:		
Property, plant and equipment	155,739	153,095
Prepaid land lease payments	51,413	54,137
Biological assets	2,948	2,903
Inventories	238,126	257,744
Deposits and prepayments	4,756	5,575
Current tax recoverable	5,551	5,551
Bank and cash balances	152,853	153,647
Consolidated total assets	707,728	718,040

Reportable and operating segment assets represent trade receivables.

8. SEGMENT INFORMATION – continued

	2018 *RMB'000*	2017 *RMB'000*
Liabilities		
Total liabilities of reportable segments	**15,351**	25,551
Unallocated amounts:		
Trade payables	**9,686**	11,847
Other payables and accruals	**17,725**	19,224
Current tax liabilities	**9,961**	9,961
Consolidated total liabilities	**52,723**	66,583

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

Revenue from major products:

The following is an analysis of the Group's revenue from its major products.

	2018 *RMB'000*	2017 *RMB'000*
Sweet wines	**179,684**	184,607
Dry wines	**138,928**	126,448
Brandy	**8,770**	6,239
Others	**27,529**	6,265
	354,911	323,559

Timing of revenue recognition

	2018 *RMB'000*	2017 *RMB'000*
At a point in time	**354,911**	323,559

9. OTHER INCOME, GAINS AND LOSSES

	2018 *RMB'000*	2017 *RMB'000*
Bank interest income	**608**	501
Net foreign exchange (loss)/gain	**(563)**	46
Gain on disposal of property, plant and equipment	**–**	34
	45	581

10. FINANCE COSTS

The costs represent the interest on bank borrowing.

11. INCOME TAX EXPENSE

No provision for taxation in Hong Kong has been made as the Group did not have any assessable profit arising from Hong Kong for both years.

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.

11. INCOME TAX EXPENSE – continued

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

	2018 *RMB'000*	2017 *RMB'000*
Porfit/(loss) before tax	**4,026**	(37,094)
Tax at the PRC Enterprise Income Tax rate of 25% (2017: 25%)	**1,007**	(9,274)
Tax effect of expenses not deductible for tax purpose	**5,371**	10,018
Tax effect of tax losses not recognised	**276**	3,718
Utilisation of tax losses previously not recognised	**(6,654)**	(4,462)
Income tax expense	**–**	–

At the end of the reporting period, the Group has unused tax losses of approximately RMB353,275,000 (2017: RMB709,931,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately RMB353,275,000 will expire from 2019 to 2023 (2017: RMB709,931,000 will expire from 2018 to 2022), subject to final determination by tax authorities.

12. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging the following:

	2018 *RMB'000*	2017 *RMB'000*
Auditor's remuneration	**1,580**	2,120
Cost of inventories sold	**203,888**	184,941
Depreciation of property, plant and equipment	**10,586**	10,666
Amortisation of prepaid land lease payments	**2,724**	2,724
Less: amounts included in property, plant and equipment	**(1,786)**	(1,786)
	938	938
Write off of inventories (included in cost of sales)	**28,525**	27,517
Advertising and promotion expenses (included in selling and distribution expenses)	**3,959**	34,141
Operating lease expenses in respect of office premises	**899**	771
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	**16,621**	17,509
Sales commission	**7,873**	7,448
Retirement benefit scheme contributions	**4,683**	4,360
	29,177	29,317

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) The remuneration of each director

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

	Notes	Fee *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive Directors					
Mr. Wang Guangyuan		**–**	**1,654**	**34**	**1,688**
Mr. Zhang Hebin		**–**	**594**	**26**	**620**
Ms. Wang Lijun		**–**	**569**	**19**	**588**
Independent Non-executive Directors					
Mr. Lai Chi Keung, Albert		**152**	**–**	**–**	**152**
Mr. Lam Yiu Por	*1*	**139**	**–**	**–**	**139**
Mr. Yang Qiang		**120**	**–**	**–**	**120**
Mr. Cheng Vincent	*2*	**19**	**–**	**–**	**19**
Total for 2018		**430**	**2,817**	**79**	**3,326**
Executive Directors					
Mr. Wang Guangyuan		–	1,605	41	1,646
Mr. Zhang Hebin		–	576	31	607
Ms. Wang Lijuan	*3*	–	226	7	233
Ms. Wang Lijun	*4*	–	327	14	341
Independent Non-executive Directors					
Mr. Lai Chi Keung, Albert		151	–	–	151
Mr. Lam Yiu Por		151	–	–	151
Mr. Yang Qiang		120	–	–	120
Total for 2017		422	2,734	93	3,249

Notes:

1. Resigned on 17 November 2018.
2. Appointed on 17 November 2018.
3. Resigned on 2 May 2017.
4. Appointed on 2 May 2017.

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

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS – continued

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2017: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2017: three) individuals are set out below:

	2018 *RMB'000*	2017 *RMB'000*
Salaries, allowances and benefits in kind	**1,240**	3,397
Retirement benefits scheme contributions	**101**	142
	1,341	3,539

The emoluments fell within the following band:

	2018 **No. of employees**	2017 No. of employees
Below HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
	2	3

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

15. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB3,654,000 (2017: loss attributable to owners of the Company of approximately RMB39,553,000) and the weighted average number of ordinary shares of 2,013,018,000 (2017: 2,013,018,000) in issue during the year.

Diluted loss per share

For the years ended 31 December 2018 and 2017, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Structures RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Fixtures and office equipment RMB'000	Motor vehicles RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2017	452,125	10,355	406,738	16,261	3,904	21,728	3,234	914,345
Additions	–	–	207	–	–	3,949	10,768	14,924
Transfer	7,998	–	3,423	–	–	–	(11,421)	–
Disposals	–	–	(6,470)	–	(230)	–	–	(6,700)
At 31 December 2017	460,123	10,355	403,898	16,261	3,674	25,677	2,581	922,569
Additions	372	–	433	4	366	3,967	8,088	13,230
At 31 December 2018	460,495	10,355	404,331	16,265	4,040	29,644	10,669	935,799
Accumulated depreciation and impairment								
At 1 January 2017	369,631	10,116	369,577	8,541	2,821	4,529	–	765,215
Charge for the year	3,468	239	3,244	1,800	258	1,657	–	10,666
Disposals	–	–	(6,258)	–	(149)	–	–	(6,407)
At 31 December 2017	373,099	10,355	366,563	10,341	2,930	6,186	–	769,474
Charge for the year	3,686	–	3,584	1,096	197	2,023	–	10,586
At 31 December 2018	376,785	10,355	370,147	11,437	3,127	8,209	–	780,060
Carrying amounts								
At 31 December 2018	83,710	–	34,184	4,828	913	21,435	10,669	155,739
At 31 December 2017	87,024	–	37,335	5,920	744	19,491	2,581	153,095

The buildings are situated on land in the PRC.

17. PREPAID LAND LEASE PAYMENTS

	RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 2018	93,059
Amortisation and impairment	
At 1 January 2017	36,198
Provided for the year	2,724
At 31 December 2017	38,922
Provided for the year	2,724
At 31 December 2018	41,646
Carrying amount	
At 31 December 2018	51,413
At 31 December 2017	54,137

	2018	2017
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Non-current assets	**48,690**	51,414
Current assets	**2,723**	2,723
	51,413	54,137

The Group's prepaid land lease payments represent the payment for land use right situated in the PRC.

18. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants, are summarised as follows:

	RMB'000
At 1 January 2017	2,687
Increase due to cultivation	1,278
Transfer to inventories	(5,656)
Change in fair value of biological assets	4,594
At 31 December 2017	2,903
Increase due to cultivation	1,335
Transfer to inventories	(5,823)
Change in fair value of biological assets	4,533
At 31 December 2018	2,948

Cultivation costs incurred as addition to the grapes.

All grapes are harvested annually from August to November of each year. The output of grapes was 780 tonnes (2017: 754 tonnes) during the year ended 31 December 2018. Grapes of RMB5,823,000 (2017: RMB5,656,000) 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.

The Group is exposed to a number of risks related to its biological assets. The Group is exposed to the following operating risks:

Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections, disease controls, surveys and deinsectisation.

Financial risks

The Group is exposed to financial risks arising from changes in the market price of grapes. A significant increase/decrease in the estimated market price or the estimated production quantity would result in a significant increase/decrease in the fair value of the biological assets.

The Group does not anticipate that the market price of grapes will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in market prices of grapes. The Company reviews its outlook for market prices of grapes regularly in considering the need for active financial risk management.

18. BIOLOGICAL ASSETS – continued

For the fair value measurement of biological assets please refer to note 6.

19. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials and consumables	**51,448**	54,405
Work in progress	**170,580**	188,963
Finished goods	**16,098**	14,376
	238,126	257,744

20. TRADE RECEIVABLES

The Group allows a credit period of 30 to 90 days to its trade customers except for the new customers which payment is made when wine products 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.

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**97,118**	85,388
Less: allowance for bad and doubtful debts	**(776)**	–
	96,342	85,388

20. TRADE RECEIVABLES – continued

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018 *RMB'000*	2017 *RMB'000*
0 – 30 days	38,560	56,001
31 – 60 days	27,410	29,387
61 – 90 days	30,372	–
	96,342	85,388

Reconciliation of loss allowance for trade receivables:

	2018 *RMB'000*	2017 *RMB'000*
At the beginning of the year, as previously stated	–	–
Effect of changes in accounting policies	478	–
At the beginning of the year, as restated	478	–
Increase in loss allowance for the year	298	–
At the end of the year	776	–

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

20. TRADE RECEIVABLES – continued

	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
At 31 December 2018					
Weighted average expected loss rate	**0.80%**	**–**	**–**	**–**	
Receivable amount (RMB'000)	**97,118**	**–**	**–**	**–**	**97,118**
Loss allowance (RMB'000)	**776**	**–**	**–**	**–**	**776**
At 31 December 2017					
Weighted average expected loss rate	–	–	–	–	
Receivable amount (RMB'000)	85,388	–	–	–	85,388
Loss allowance (RMB'000)	–	–	–	–	–

21. DEPOSITS AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Other deposits and prepayments	**4,756**	5,575

22. BANK AND CASH BALANCES

As at 31 December 2018, the bank balances carry interest at average market rates ranging from 0.01% to 0.35% (2017: 0.01% to 0.37%) per annum. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

23. TRADE PAYABLES

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

	2018 *RMB'000*	2017 *RMB'000*
0 – 30 days	**7,420**	9,171
31 – 60 days	**2,266**	2,676
	9,686	11,847

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.

24. OTHER PAYABLES AND ACCRUALS

	2018 *RMB'000*	2017 *RMB'000*
Accrued expenses	**19,166**	19,061
Other tax payables	**11,663**	22,187
Payables for the acquisition of machinery	**–**	261
Other payables	**2,247**	3,266
	33,076	44,775

25. SHARE CAPITAL

	Number of shares '000	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
At 31 December 2017 and 2018	10,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
At 31 December 2017 and 2018	2,013,018	20,131
		RMB'000
Shown in the consolidated financial statements		
At 31 December 2017 and 2018		17,624

26. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted by the shareholders of the Company on 19 November 2009 for the primary purpose of providing incentives to eligible participants including directors, employees, suppliers of goods and services, consultants, advisers, contractors, business or service partners. 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.

At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 66,200,000 (2017: 99,300,000), representing 3.29% (2017: 4.93%) 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.

26. SHARE-BASED PAYMENTS – continued

Equity-settled share option scheme – continued

Details of specific categories of outstanding options as at 31 December 2018 and 2017 are as follows:

Date of grant	Number of options	Exercisable period	Exercise price
9 May 2016	66,200,000 (2017: 99,300,000)	9 May 2016 to 8 May 2021	HK$0.263

The following table discloses movements of the Company's share options granted under the Scheme during the years ended 31 December 2018 and 2017:

	2018		2017	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	99,300,000	0.263	155,850,000	0.595
Lapsed during the year	(33,100,000)	0.263	(56,550,000)	0.394
Outstanding at the end of the year	66,200,000	0.263	99,300,000	0.263
Exercisable at the end of the year	66,200,000	0.263	99,300,000	0.263

27. RESERVES

(a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Share options reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and a director of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 26 to the financial statements.

27. RESERVES – continued

(c) Reserves of the Company

	Share premium	Share options reserve	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	910,541	13,924	(792,779)	131,686
Loss and total comprehensive expense for the year	–	–	(13,945)	(13,945)
Share options lapsed	–	(6,998)	6,998	–
At 31 December 2017	910,541	6,926	(799,726)	117,741
At 1 January 2018	**910,541**	**6,926**	**(799,726)**	**117,741**
Loss and total comprehensive expense for the year	**–**	**–**	**(14,730)**	**(14,730)**
Share options lapsed	**–**	**(2,309)**	**2,309**	**–**
At 31 December 2018	**910,541**	**4,617**	**(812,147)**	**103,011**

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 *RMB'000*	2017 *RMB'000*
Non-current assets		
Investment in a subsidiary	**–**	–
Amounts due from subsidiaries	**128,182**	134,153
	128,182	134,153
Current assets		
Deposits and prepayments	**310**	271
Amounts due from subsidiaries	**–**	8,000
Bank balances	**5**	4
	315	8,275
Current liabilities		
Other payables and accruals	**(7,862)**	(7,063)
	(7,862)	(7,063)
Net current (liabilities)/assets	**(7,547)**	1,212
Total assets less current liabilities	**120,635**	135,365
Capital and reserves		
Share capital	**17,624**	17,624
Reserves	**103,011**	117,741
TOTAL EQUITY	**120,635**	135,365

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 March 2019 and are signed on its behalf by:

Wang Guangyuan
EXECUTIVE DIRECTOR

Zhang Hebin
EXECUTIVE DIRECTOR

29. 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.

30. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2018	2017
	RMB'000	*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	**3,711**	14,615

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**1,002**	681
In the second to fifth years, inclusive	**1,002**	–
	2,004	681

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 for both years.

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2018	2017
	RMB'000	*RMB'000*
Short-term benefits	**5,799**	7,084
Post-employment benefits	**311**	403
	6,110	7,487

The remuneration of directors and key executives is determined by the board of directors of the Company (upon the recommendation of the remuneration committee) having regard to the performance of individuals and market trends.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation	Issued and paid-up capital	Percentage of the ownership interest/voting power Direct	Indirect	Principal activities
Fullest Power Investments Limited	The BVI	US$100,000	100%	–	Investment holding
Rich Treasure Link Limited	Hong Kong	HK$10,000	–	100%	Investment holding and provision of administrative services
Topping Future Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Shine Wealth Hong Kong Group Limited	Hong Kong	HK$10,000	–	100%	Investment holding
通化通天酒業有限公司 Tonghua Tongtian Winery Co., Ltd. *(note 1)*	The PRC	RMB87,110,000	–	100%	Manufacturing and sale of wine 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)*	The PRC	HK$40,000,000	–	100%	Manufacturing and sale of wine 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)*	The PRC	HK$28,000,000	–	100%	Grapes plantation
通化通天商貿有限公司 Tonghua Tontine Trading Co., Ltd. *(note 1)*	The PRC	HK$40,000,000	–	100%	Wholesales and retail of wine products
煙台白洋河釀酒有限責任公司 Yantai Baiyanghe Winery Co., Ltd. ("Yantai Baiyanghe") *(note 2)*	The PRC	RMB4,949,960	–	60%	Manufacturing and sale of wine products and processing of grape juice

Notes:

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.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY – continued

The following table shows information of subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Yantai Baiyanghe	
	2018	2017
Principal place of business/country of incorporation	**The PRC**	The PRC
% of ownership interests/voting rights held by NCI	**40%**	40%
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	**36,991**	39,196
Current assets	**168,768**	147,015
Current liabilities	**(9,657)**	(9,311)
Net assets	**196,102**	176,900
Accumulated NCI	**78,440**	70,760
Year ended 31 December:		
Revenue	**90,353**	77,089
Profit	**19,202**	6,148
Profit and total comprehensive income	**19,202**	6,148
Profit allocated to NCI	**7,680**	2,459
Dividends paid to NCI	**–**	–
Net cash inflow/(outflow) from operating activities	**28,466**	(11,557)
Net cash outflow from investing activities	**(74)**	(831)
Net increase/(decrease) in cash and cash equivalents	**28,392**	(12,388)

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated cash flows from financing activities.

	Bank borrowing
	RMB'000
At 1 January 2017	7,096
Financing cash flows	(7,162)
Finance costs incurred during the year	66
At 31 December 2017 and 2018	–

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 15 March 2019.