DYNASTY
Since 1980

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 828

2014 ANNUAL REPORT

Contents

Corporate Profile

Dynasty is a leading premier winemaker with a dominant presence in the PRC wine market. Our brand name, “Dynasty”, was recognised as a well-known trademark by the State Administration for Industry and Commerce of the PRC. For thirteen of the eighteen years between 1997 and 2014, Dynasty was granted “The Certificate of Best Selling Grape Wines” in the PRC by the China Industry and Enterprise Information Centre.

Dynasty has inherited the fine traditions and state-of-the-art expertise in winemaking from Remy Cointreau, one of the world’s leading wine and spirits operators and our second largest shareholder ever since Dynasty’s inception. From grape growing, harvesting, to every single step of winemaking, Dynasty believes in quality. The entire production process is under stringent quality control to ensure the highest standards of our products. In recognition of our high standards, we were accredited with certificates of ISO 9002 in 1996, ISO 14001 in 2000, ISO 9001:2000 in 2002 and HACCP Certificate in 2006.

Dynasty has a diversified product portfolio, catering to various price segments and consumer tastes and preferences. We now make and sell over 100 types of wine products in five main categories, namely red wines, white wines, sparkling wines, ice wine and brandy.

Over the years, Dynasty has sustained a good financial performance and generated reasonable returns for its shareholders. On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with the stock code 828. Having strong support from our major shareholders – Tsinlien Group Company Limited and Remy Cointreau, Dynasty keeps on providing all consumer strata high quality and “excellent value for money” wines. With enhanced facilities and continual marketing efforts, Dynasty is well positioned to capture the robust growth potential of the Chinese wine market. We will rebuild a stronger Dynasty for the future of all our stakeholders.

Financial Highlights

	2014	2013	Changes
	HK$'000	*HK$'000*	
Revenue	**669,257**	873,700	-23%
Gross Profit	**49,632**	86,924	-43%
Loss attributable to owners of the Company	**(393,523)**	(552,459)	-29%

	2014	2013	Changes in percentage point
Gross profit margin	**7%**	10%	-3%

Corporate Information

(As at the date of publication of this annual report)

BOARD OF DIRECTORS

Executive Directors

Mr. SUN Jun(^)
Mr. LI Guanghe
Mr. SUN Yongjian(&)

Non-Executive Directors

Mr. HERIARD-DUBREUIL Francois
Ms. SHI Jing
Mr. Jean-Marie LABORDE
Mr. WONG Ching Chung(&)
Mr. ROBERT Luc

Independent Non-Executive Directors

Dr. ZHANG Guowang(#)(&)(^)
Mr. YEUNG Ting Lap Derek Emory(#)(&)(^)
Mr. SUN David Lee(#)(&)(^)

Audit committee members
& Remuneration committee members
^ Nomination committee members

COMPANY SECRETARY

Mr. HO Yiu Sum

AUTHORISED REPRESENTATIVES

Mr. SUN Yongjian
Mr. HO Yiu Sum

LEGAL ADVISERS

Hong Kong

K&L Gates

Cayman

Conyers Dill & Pearman, Cayman

The People's Republic of China

Tianjin Shuze Lawyer

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Hong Kong Office

Units E & F, 16/F, China Overseas Building,
139 Hennessy Road, Wanchai,
Hong Kong

Tianjin Office

No. 29 Jinwei Road, Bei Chen District
Tianjin City, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

(As at the date of publication of this annual report)

PRINCIPAL BANKERS

China Construction Bank
Industrial and Commercial Bank of China
China Minsheng Bank
China Citic Bank

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

COMPANY WEBSITE

http://www.dynasty-wines.com

ONLINE SALES WEBSITE

https://dynasty.jd.com
(王朝葡萄酒旗艦店一京東)(P.R.C.)
https://dynasty.world.tmall.com
(王朝葡萄酒旗艦店一天貓)(P.R.C.)
http://www.dynasty-wines.com/shop (H.K.)

SHARE INFORMATION

Listing date	26 January 2005
Stock short name	Dynasty Wines
Nominal value	HK$0.1
Number of issued shares	As at 31 December 2014 1,248,200,000 shares
Board lot	2,000 shares

STOCK CODE

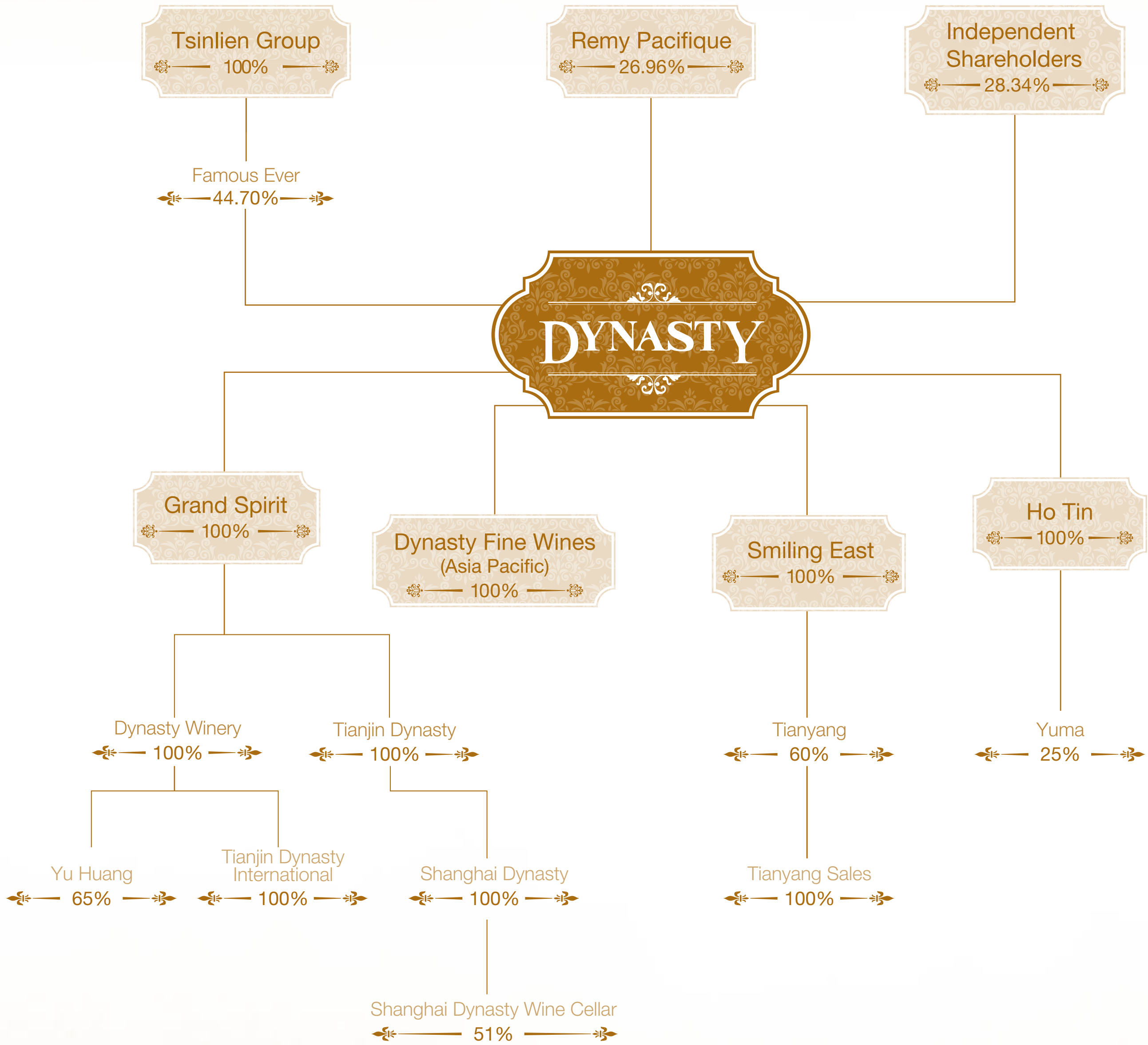
The Stock Exchange of Hong Kong Limited	00828
Reuters	0828.HK
Bloomberg	828:HK

FINANCIAL YEAR-END DATE

31 December

Corporate Structure

(As at 31 December 2014)



Management Discussion and Analysis

RESULTS

The Group's revenue for the year ended 31 December 2014 decreased by 23.4% to HK$669.3 million (2013 – HK$873.7 million) and the Group's loss attributable to owners of the Company declined to HK$393.5 million (2013 – HK$552.5 million), representing a decrease of 28.8%.

Loss per share of the Company was HK$31.53 cents per Share (2013 – HK44.26 cents per Share) based on the weighted average number of 1,248 million Shares (2013 – 1,248 million Shares) in issue during the year. There was no potential dilutive share for the year ended 31 December 2014.

The decline in gross margin and financial results in 2014 was attributable to i) the decrease in revenue; ii) the decrease in gross profit margin; and iii) provision for impairment in inventories as a result of part of the self-produced finished goods were unsuitable for sales in the future and were considered as obsolete in the year.

BUSINESS REVIEW

Sales analysis

A) *Distributorship*

Despite the decrease in the average ex-factory sales price of the Group's wine products as a result of shifting the sales mix further to low to medium end products in response to the market change during the year ended 31 December 2014, the sales revenue and volume has still recorded a decrease compared with last year mainly because of (1) government policy of restrictions on entertainment and hospitality; and (2) weaker demand of domestic wine products amid the slower economic growth in the PRC and impact of imported wines. The Group continued to optimize its sales and distribution model by a reform intended to improve the operational efficiency of the Group. Reform measures include, among other things, (i) co-operating with distributors to strengthen the control on inventory level and retail price; (ii) enhancing the effective management in monitoring and controlling sales and marketing spending; and (iii) streamlining the existing multi-layered sales and distribution system so as to strengthen our direct control over the sales channels, thereby enhancing efficiency and effectiveness.

The total number of bottles of wine sold decreased from approximately 29.7 million in 2013 to approximately 27.5 million in 2014. Sales of red wines continued to be the Group's primary revenue contributor accounting for approximately 79% of the Group's revenue for the year (2013 – 82%).

In order to consolidate the Group's position in the Huadong region (i.e., the eastern region of the PRC including Shanghai City, Zhejiang and Jiangsu provinces) and win market share in other regions, the Group devoted significant resources to continue and accelerate the expansion and to strengthen our nationwide and extensive sales and distribution network during the year. This network supports sales of the Group's products throughout all provinces and autonomous regions and the four directly-administered municipalities under the Central Government of the PRC.

Management Discussion and Analysis

The Group produces a wide range of more than 100 wine products under the "Dynasty" brand to meet the demands and preferences of different consumer groups mainly in the medium to high end segments in the PRC wine market. With effective product strategies and a high quality and diversified product portfolio, the Group firmly believes that the "Dynasty" brand is able to attract savvy consumers with an appreciation for fine wines by offering Dynasty's premium high end products. Sales of premium wine products were greeted enthusiastically during the year. Moreover, the Group also sold foreign brand wines mainly imported from France, Italy, Germany, the United States of America, Chile and Spain in the PRC wine market through the Group's existing distribution network to introduce some classic "old world" and "new world" varietals to cater for a market niche preferring the taste of foreign premium wines. The Group currently carries more than 520 imported products under approximately 100 brands. We believe that with the trend of increasing wealth and the disposable income of consumers aspiring to a higher status as well as the pursuit of upper class enjoyment, the demand for premium Dynasty and imported wines should increase and become major growth drivers for our future development. To boost its market share and sustain its growth, the Group is determined to continue to actively promote and raise the visibility of these wines to the high end market.

B) Retail shops

To cater for different needs and preferences of our customers, the Group as at 31 December 2014 had 1 self-operated retail shop in Tianjin, 1 self-operated retail shop in Shanghai and 128 franchised retail shops across various provinces and cities in the PRC, selling a variety of Dynasty wines and our imported wines to customers directly. The contribution from the sales at the retail shops was relatively insignificant to our revenue during the year. However, we strongly believe that through these sales channels and our network we can attract more people to embrace the grape wine culture and lead the trend of rising wine consumption. At the same time we could also expand our sales presence, extend our market influence, bring greater awareness to the brand and consolidate our leading presence in the PRC because retail shops are amongst the best vehicles to communicate our brand image and message, and to enhance customers' experience of buying and drinking wines. We have strategically planned to develop our franchised retail shops through a progressive and disciplined growth strategy to increase the number of similar establishments in appropriate locations. During the year under review, 128 franchised retail shops were opened by the end of the year.

The following table sets out the number of self-operated retail shops and franchised retail shops by regions as at 31 December 2014:

Region	Number of self-operated retail shops	Number of franchised retail shops	Total
South-Central region	–	79	79
Eastern region	1	25	26
North-West region	–	1	1
North-East region	–	4	4
Northern region	1	19	20
Total	2	128	130

C) Online sales

The Group has launched an e-commerce business by setting up a convenient online platform – www.i9wang.com (王朝愛酒網) to further expand our sales channels and develop a new customer base. In 2014, customers could place orders via the internet at this website for Dynasty wines and the imported wines we carry anywhere and anytime. Since the operating cost of the website is relatively low, we enjoy a higher gross profit margin on e-commerce business. It has been running smoothly and recording a steady income. Although the online sales contribution was insignificant during the year, we are optimistic about the prospects of the business as research indicates that the online trading business in China should grow steadily in the coming years and the country has the world's largest number of internet users. The Group believes that the online platform not only serves as a business-to-customer trading platform between Dynasty and consumers, but also an additional marketing and promotion channel for the brand. Thus, the platform should enhance the overall business potential of the Group because growth in online sales channels will be further exploited internationally following the successful e-commerce model in overseas.

Supplies of grapes or grape juice

Production of quality wines greatly depends on a sufficient supply of quality grapes or grape juice. Currently, the Group have more than 10 major grape juice suppliers with whom we have enjoyed long-term relationships, mainly located in Tianjin, Shandong, Hebei, Ningxia and Xinjiang. Ensuring reliable supplies of quality grapes and grape juices to meet the production needs of our growing business as well as our expanded production capacity is a high priority of the Group. Thus, it continues to actively work with vignerons to enlarge their existing vineyards in order to enjoy better economies of scale and equip their vineyards with state-of-the-art techniques for assuring quality. For super and ultra premium wines, vignerons have adopted a disciplined approach to limiting harvest yields in order to deliver higher quality grape. For optimising supply networks, the Group has also kept identifying new suppliers who comply with our quality requirements and conducts thorough tests on their grape juices before orders are placed. These procedures ensure we procure quality grape and grape juice supplies and also minimise the effect of bad harvests interrupting production. The Group has imported grape juices from overseas, applying the same stringent quality requirements as it has on suppliers in the PRC.

Management Discussion and Analysis

Production capacity

In 2010, the Group completed the construction of new production and research and development facilities in its Tianjin winery increasing its annual production capacity to 70,000 tonnes (equivalent to approximately 93.3 million bottles). The expansion has enabled the Group to promptly response to market demand and further enhance the overall cost effectiveness in term of unit cost in the long run and has provided a better platform for sustainable earnings growth after the reform.

Outlook

The Group's outlook for China's economy in the short term future remains cautious optimistic. Going forward, although the Group's performance is likely to undergo prevailing pressure, we will continue to improve our organizational structure and enhance our professionalism in our business management. Leveraging on the experience in the wine industry, the Group will endeavor to capture opportunities arising from the Chinese government's efforts to stimulate economic activities to provide support for the country's economic growth in order to reach out to a wider group of potential customers.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents proceeds from sale of wine products. The Group's total revenue decreased by 23.4% to approximately HK$669.3 million in 2014 from approximately HK$873.7 million in 2013. The decrease in revenue was mainly attributable to i) a decrease in sales volume compared to last year as a result of (1) government policy of restrictions on entertainment and hospitality; and (2) weaker demand of domestic wine products amid the slower economic growth in the PRC and impact of imported wines; ii) a decrease in average selling price compared to last year because of shift of product mix further to medium to low-end products in response to the market demand.

The Group's average ex-winery sales price of red and white wine products during the year was lower than the average price of HK$29.4 per bottle (750ml) in 2013, as a result of continuous shifting the sales mix to low-to-medium end products in response to the market change. Since consumers in the PRC have a preference for red wines, the Group is able to set higher prices for its red wine products and therefore the average ex-winery sales price of the Group's red wines is generally higher than that of its white wines.

Cost of sales

The following table sets forth the major components of the Group's cost of sales (before provision for impairment in inventories) for the year:

	2014	2013
	%	%
Cost of raw materials		
– Grapes and grape juice	**39**	46
– Yeast and additives	**2**	2
– Packaging materials	**18**	20
– Others	**2**	1
Total cost of raw materials	**61**	69
Manufacturing overheads	**27**	21
Consumption tax and other taxes	**12**	10
Total cost of sales	**100**	100

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, labels, corks and packing boxes. During the year, the cost of grapes and grape juice was the key component of cost of sales and accounted for approximately 39% of the Group's total cost of sales, representing a decrease of 7% from approximately 46% in 2013, due to the drop in purchase of grapes and grape juice. The total cost of packaging materials to the Group's revenue was relatively stable during the year as compared with 2013.

Manufacturing overheads primarily consist of depreciation, rental of property, plant and equipment, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses in relation to production. During the year, manufacturing overheads as a percentage of revenue increased as compared with 2013 mainly due to rising labour costs, depreciation and other overheads absorbed as a result of less utilization of production capacity.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. The overall gross profit margin declined to 7% in 2014 (15% before provision for inventories included in cost of sales) from 10% in 2013, mainly as a result of the impact of (i) provision for impairment in inventories which were unsuitable for sales in the future and slow moving and obsolete finished goods being assessed; and (ii) a reconciliation of inventory balances between the physical count results and the accounting records of inventory at 31 December 2014. The net aggregated unexplained difference made up by different inventory items between the physical count result and the accounting records of inventory amounted to HK$53,148,000 was recognised as stock loss for the year based on the judgment and estimation made by the Group.

The gross margin of red wine products and white wine products in 2014 were 3% and 25% (11% and 33% before provision for impairment in inventories included in cost of sales) respectively (2013 – 11% and 3% (34% and 31% before provision for impairment in inventories included in cost of sales) respectively).

Management Discussion and Analysis

Other income, gains and losses

Other income, gains and losses for the year ended 31 December 2014 increased to HK$10.2 million (2013 – HK$3.0 million), mainly attributable to an increase in government grants by HK$5.9 million in the year.

Distribution expenses

Distribution expenses principally include advertising and market promotion expenses, transportation and delivery charges in connection with the sales of grape wine products, salaries and related personnel expenses of the sales and marketing functions and other incidental expenses. During the year, distribution expenses accounted for approximately 44% (2013 – 47%) of the Group's revenue. The decrease in the percentage was primarily due to the distribution cost saving following the effective implementation of cost control policy. In particular, the advertising and market promotion expenses accounted for approximately 19% (2013 – 25%) of the Group's revenue. During the year, the Group continued to promote and market the Chateau Dynasty, brand and products effectively through a range of joint promotions with wedding planner companies and local distributors, print and outdoor advertisements, wine dinners, wine tasting events, digital communication, event sponsorships and exhibitions. The Group will ensure that our promotional strategy is responsive to market dynamics and competition.

Administrative expenses

Administrative expenses comprise salaries and related personnel expenses for administrative, finance and human resources departments, depreciation and amortisation expenses, provision for impairment and other incidental administrative expenses.

During the year, administrative expenses as a percentage of the Group's revenue accounted for 24% (2013 – 22%). This percentage increased because the decrease in administrative expenses was less than the decrease in revenue in term of percentage points. The decrease in administrative expenses included decrease in consultancy and professional fee, employee benefit expenses and other incidental expenses.

Income tax expense

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its subsidiaries incorporated in the BVI is subject to tax on its income or capital gains. In addition, any payment of dividends by them is not subject to withholding tax under those jurisdictions.

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the enterprise income tax rate for all the subsidiaries of the Company incorporated in the PRC had been unified at 25% effective from 1 January 2008. The decrease in income tax expense was because there were no adjustments in respect of prior years during the year.

Cash flow

In 2014, operating activities were the Group's main source of cash outflow.

The decrease in cash outflow from operating activities from HK$74.9 million in 2013 to HK$11.1 million in 2014 was mainly attributable to increase in cash generated from change in working capital.

Net cash outflow in investing activities amounted to approximately HK$55.4 million (2013 – HK$62.0 million), primarily related to reduced placement of fixed deposits with maturity over 3 months and offset by acquisition of plant and equipment during the year as compared with 2013.

The change in cash generated from financing activities from HK$19.3 million in 2013 to HK$5.4 million in 2014 was primarily attributable to decrease in net proceeds from borrowings during the year.

Financial management and treasury policy

As at 31 December 2014 except for the net proceeds from the placing and public offer, the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). The Group has remitted the net listing proceeds from Hong Kong to the PRC and converted them into RMB shortly after remittance. The remaining unremitted net proceeds not used for the intended purposes have been placed on short-term deposits (denominated in US dollars or Hong Kong dollars) with authorised financial institutions. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Company does not implement any hedging or other derivatives against foreign exchange risk. Although the Group's operations currently would not generate any significant foreign currency exposure, we will continue to closely monitor foreign currency movements and adopt prudent measures as appropriate.

Armed with sufficient financial resources and in a net cash position net of borrowings at fixed rates, the Group is exposed to minimal financial risk from interest rate fluctuation.

The purpose of the Group's investment policy is to ensure the investment of uncommitted funds achieves the highest practicable returns while heeding the need to preserve capital and assure liquidity.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial position of the Group remain intact as the Group continues to adopt a prudent approach in managing its financial resources. As at 31 December 2014, the Group's cash and cash equivalents, and fixed deposits amounted to HK$134.4 million (2013 – HK$196.9 million). It has sufficient financial resources and an adequate cash position for satisfying the working capital requirements of business development, operations and capital expenditures. New investment opportunities, if any, will be funded by the Group's internal resources.

The Group had net debt of HK$-82.0 million (2013 – HK$-107.9 million) (total borrowings less cash and cash equivalents), with total equity of the Group amounting to approximately HK$729.3 million (2013 – HK$1,129.2 million) as at 31 December 2014 ensuring solvency and the Group's ability to continue as a going concern. The Group's gearing ratio, expressed as a ratio of total debt to total capital (net debt and total equity), as at 31 December 2014 was -13% (2013 – -11%).

CAPITAL STRUCTURE

The Group had short-term borrowings of HK$52.5 million (2013 – HK$89.1 million) and was in a net cash and liquid position as of HK$134.4 million (2013 – HK$196.9 million) at 31 December 2014, reflecting its sound capital structure. We expect the Group's cash with bank facilities to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

As at 31 December 2014, the market capitalisation of the Company was approximately HK$1,797 million (2013 – HK$1,797 million). Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 March 2013 and will remain suspended until further notice.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 31 December 2014, there are no (2013 – Nil) capital expenditure contracted for at the end of the year but not yet incurred. The Group had no contingent liabilities and the Group's assets were free from any charge.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2014, the Group had not made any other material acquisitions or disposal of subsidiaries, associates or joint ventures.

USE OF PROCEEDS

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2005. The net proceeds from the placing and public offer amounted to approximately HK$724 million. As at 31 December 2014, the net proceeds had been fully utilised and applied to the following uses, which is consistent with the planned usage as follows:

Use	Usage as announced *HK$ million*	Actual progress *HK$ million*
Expansion of existing production facilities	200	200
Establishment of new production facilities	160	160
Expansion of sales and distribution network	20	20
Acquisition of Smiling East	47	47
Other acquisition opportunities and general working capital	297	297
Total	724	724

EVENT AFTER THE REPORTING PERIOD

The Group planned to dispose a chateau and related facilities held by one of its subsidiaries at a consideration of RMB400 million, for details, please also refer to Company's announcement dated 27 June 2017.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are the most important assets of the Group and are indispensable to our success in the competitive market. The Group strive to ensure a strong team spirit among its employees so that they identify and contribute in unison to our corporate objectives. To this end, the Group offer competitive remuneration packages commensurate with market practices and industry levels, and provide various fringe benefits including training, medical and insurance coverage as well as retirement benefits to all employees in Hong Kong and the PRC. The Group is committed to staff training and development to support the need of the business and individuals, so employees are encouraged to enrol in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group has reviewed and adjusted its human resources and remuneration policies, especially the performance-based bonus award, with reference to local legislation, market conditions, industry practice and achievements of the Group's targets as well as the performance of individual employee.

Management Discussion and Analysis

The Group employed a work force of 624 (2013: 662) (including directors) in Hong Kong and the PRC as at 31 December 2014. The decrease in manpower has occurred mainly due to the internal human resources adjustment in response to the business development. The total salaries and related costs (including the directors' fees) for the year ended 31 December 2014 amounted to approximately HK$170.2 million (2013 – HK$175.7 million).

The Company also adopted a share option scheme on 6 December 2004 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations and the long-term growth of the Group. As at 31 December 2014, 5,000,000 share options were granted and outstanding under the scheme.

Biography of Directors and Senior Management

As at the date of this annual report, the biography of Directors and senior management was as follows:

DIRECTORS

Executive Directors

Mr. HAO Feifei, aged 60, chief senior engineer, was appointed as an executive director of the Company in December 2012. From January 2014, he was also appointed as the chairman of the Company overseeing the business development and taking up the function of formulating and managing the investment strategies of the Group. He is also an executive director of Tianjin Development Holdings Limited ("Tianjin Development"). Mr. Hao was engaged by Tianjin Shin Poong Pharmaceutical Co. Ltd as deputy general manager from 1994 to 1997. He was the head of Tianjin No. 6 Pharmaceutical Plant from 1997 to 1999, and the deputy general manager of Tianjin Medical Supplies Group Co. Ltd from 1999 to 2000. From 2000 to August 2012, he served as the deputy general manager of Tianjin Pharmaceutical Group Co. Ltd. During the period from 2006 to August 2012, he also acted as the chairman and deputy secretary/secretary of party committee of Tianjin Zhong Xin Pharmaceutical Group Corporation, the shares of which are listed on the Shanghai Stock Exchange and the Singapore Stock Exchange. Since August 2012, he has been the general manager and deputy secretary of party committee of Tianjin Agricultural Cultivation Group Company. Mr. Hao has been involved in the enterprises in Tianjin with solid experience in corporate management for over 30 years. He completed a pharmaceutical course at Faculty of Chinese Medicine at Heilongjiang Business College in 1982.

Mr. YIN Jitai, aged 54, chief senior engineer, specialist of the State Council (國務院特貼專家), state level first-class sommelier (國家一級品酒師), first-class winemaker (一級釀酒師), "Brewmaster of China" (中國釀酒大師) title awarded by China Alcoholic Drinks Association (中國酒業協會), was appointed as an executive director and general manager of the Company in June 2014. He was a deputy general manager of Sino-French Joint-Venture Dynasty Winery Limited, responsible for production planning, research and development. He has more than 20 years' experience in the wines industry and is a member of wine technology committee and executive member of council of China Alcoholic Drinks Association and China Food Industry Association (中國食品工業協會),. Mr. Yin is the board of the state level grape wines appraisal judges. He is qualified as senior professional manager (高級職業經理人). He graduated from Tianjin Industrial College in 1985 with a bachelor's degree in food engineering where he majored in food fermentation. He obtained a master degree of business administration from Nankai University in May 2014. He also acted as a part-time professor of Tianjin University, a visiting professor of Tianjin University of Science & Technology and a part-time tutor of post-graduate course of China Agricultural University. He has been received many technology progress awards, etc. in the industry from the state, provincial level and Tianjin. Mr. Yin joined the Group in 1992.

Biography of Directors and Senior Management

Mr. SUN Yongjian, aged 47, was appointed as the executive director of the Company in June 2014. Mr Sun, senior political officer (高級政工師), is a director and secretary of Communist Party Committee ("CPC") of Sino-French JointVenture Dynasty Winery Limited and responsible for CPC, disciplinary examination and supervisory, and human resources. He graduated from Party School of CPC Tianjin Municipal Committee (天津市委黨校) in 2005 where he majored in economics and management. Prior to joining the Group, he held various management positions in Wuqing Farm (武清農場) in Tianjin from 1988 to 2006, including secretary of Party Committee, secretary of CPC and farm manager. He was also a deputy secretary of CPC and general manager of Tianjin Haihe Dairy Company Limited (天津市海河乳業有限公司) from 2006 to 2010. He served as a secretary of CPC and deputy general manager of Tianjin Jialihe Dairy Company Limited (天津市嘉立荷牧業有限公司) from 2010 to March 2014. Mr. Sun joined the Group in March 2014.

Non-executive Directors

Mr. HERIARD-DUBREUIL Francois, aged 69, was appointed as the vice-chairman and a non-executive Director of the Company in August 2004. He has been the vice-chairman of Dynasty Winery since May 1980. He is the chairman of the board of Remy Cointreau S.A., a company listed on the Euronext Stock Exchange. Mr. Heriard-Dubreuil joined Remy Martin & Co. S.A. in 1977 prior to its merger with Cointreau & Cie. He was appointed as the director of the Remy Cointreau Group in 1990. He has around 30 years of experience in the wines industry and has held various senior positions within the Remy Cointreau Group. He is also chairman of the executive Board of Andromede S.A., the family holding which controls, among others, the Remy Cointreau Group. He is chairman of the Fondation INSEAD, France, Member of INSEAD French Council and vice-chairman of the Ligue Européenne de Coopération Economique French Office. He graduated from Universit é de Paris with a degree of Maîtrise Es Sciences in 1970 and a master of business administration from INSEAD, France in 1975. Mr. Heriard-Dubreuil who is directors and/or employees of Andromede S.A., Orpar S.A., Remy Cointreau S.A., Remy Cointreau Services S.A.S., Remy Concord Limited and Remy Pacifique Limited.

Mr. Jean-Marie LABORDE, aged 69, was appointed as a non-executive Director of the Company in February 2009. He joined the Remy Cointreau S.A., a substantial shareholder of the Company, as a chief executive officer in September 2004. Mr. Laborde holds a master's degree in economics from the University of Bordeaux and a master degree in business administration from the Institut Supérieur des Affaires (HEC/ISA). He held various senior positions at Pernod Ricard from 1979 to 1996 and chairman and chief executive officer of Moët et Chandon (LVMH Group) from 1996 to 2003. Mr. Laborde is a member of a number of professional organizations. He was directors of Maxxium Worldwide BV, an associate of Remy Cointreau Group and Antonin Rodet, Burgundy Wines, a wholly owned subsidiary of Sequana Capital, a company listed on the Euronext Stock Exchange (stock code: VOR). He is also a director of Finadvance S.A., a private equity firm.

Biography of Directors and Senior Management

Mr. WONG Ching Chung, aged 78, was appointed as a non-executive Director of the Company in August 2004. He has been a director of Dynasty Winery since December 1985. He is also a censeur (監事) of Orpar S.A. and was the chairman of Shanghai Shenma Winery Co., Ltd. between 2002 and 2011. Prior to joining Orpar S.A. in 2003, he was a director of Remy Cointreau S.A. between 1999 and 2002, and the regional managing director of Remy Associes and Maxxium Worldwide B.V. between 1986 and 2002. He graduated from The University of Hong Kong with a bachelor's degree in 1964 and from Hult International Business School (formerly Arthur D. Little Management Institute, USA) with a master of science in management degree in 1981. Mr. Wong has close to 40 years of extensive experience in the wines industry. He was also awarded the Officier de l' Ordre du Merite Agricole by the French government in 1994 in recognition of his accomplishment in the wines and spirits industry.

Mr. ROBERT Luc, aged 61, was appointed as a non-executive Director of the Company in August 2004. He has held various management positions in the Orpar S.A. – Remy Cointreau Group since 1987, including the deputy group controller, regional finance director for the America, finance director of the champagne division and the regional finance director of Asia Pacific. Prior to joining the Remy Cointreau Group in 1987, he worked with the Ernst & Whinney in Montreal and Paris. He graduated from University of Sherbrooke, Canada with a bachelor's degree in business administration (accounting) in 1979. He is a Canadian Certified Public Accountant. Mr. Robert has extensive experience in the wines and spirits industry for over 20 years.

Ms. SHI Jing, aged 47, was appointed as a non-executive Director of the Company in December 2013. Ms. Shi graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1992 and a Master's Degree in Economics in 1995. She has been in corporate finance (domestic and foreign) and financial management for many years. Ms. Shi joined Tianjin Development Holdings Limited ("Tianjin Development"), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, since 2005 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd., a wholly-owned subsidiary of Tianjin Development, and general manager of audit and legal affairs department of Tianjin Development. Prior to joining Tianjin Development, she was a commissioner of finance of Ting Hsin International Group (頂新國際集團), vice president of Fengyuan Consulting (Shanghai) Co., Ltd. (豐元諮詢(上海)有限公司) and senior associate of finance department of Tingyi (Cayman Islands) Holding Corp. Ms. Shi is currently the assistant to general manager of Tianjin Development and Tsinlien Group Company Limited, the controlling shareholder of Tianjin Development. She is also a director of certain subsidiaries of Tianjin Development and Tsinlien Group Company Limited. She is also an executive director of Tianjin Port Development Holdings Limited (天津港發展控股有限公司), a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange, and a director of Tianjin Lisheng Pharmaceutical (天津力生製藥股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange. Ms. Shi who is directors and/or employees of Tsinlien Investment Holdings, Tsinlien Group Company Limited and Famous Ever Group Limited.

Biography of Directors and Senior Management

Independent non-executive Directors

Mr. YEUNG Ting Lap Derek Emory, aged 45, was appointed as an independent non-executive Director of the Company in January 2011. Mr. Yeung is also the chief executive officer and co-founder of she.com International Holdings Limited and a co-founder of Chef Nic Holdings Limited. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. He holds a bachelor's degree in applied mathematics and economics from Brown University and a master degree in business administration and accounting from Northeastern University, both in the United States of America. He is qualified as a certified public accountant in the United States of America and he is a member of Chinese People's Political Consultative Conference of JiangSu Province and the Telecommunications Users and Consumers Advisory Committee of Office of the Communications Authority.

Mr. SUN David Lee, aged 52, was appointed as an independent non-executive director of the Company in November 2012. Mr. Sun is an executive director of China Outfitters Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. He is a director and co-founder of CEC Management Limited, the management company of China Enterprise Capital Limited ("CEC"), a China focused private equity fund. Prior to helping establish CEC, he was a managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S.

Dr. ZHANG Guowang, aged 58, was appointed as an independent non-executive director of the Company in November 2014. Dr. Zhang graduated from Jilin University of Technology (吉林工業大學) with a bachelor's degree of engineering, majoring in management engineering in 1982. He obtained a master degree in technical economics from Tianjin University in 1995, and a doctorate degree in management from Nankai University in 2006. He was the first dean of Business School in Tianjin University of Commerce from 2001 until 2010. He was awarded various prizes from the Municipal Technology Performance Awards (市級科研成果) by Tianjin Municipal People's Government. Dr. Zhang is a member of Chinese Institute of Certified Public Accountants and a professor. He is a member of the Academic Committee from Tianjin University of Commerce, and is currently teaching business administration in Business School of Tianjin University of Commerce. Dr. Zhang is also an executive council member of Tianjin Society of Technical Economics (天津技術經濟研究會) and Statistical Evaluation Research Branch Association of Chinese Association for Applied Statistics (中國現場統計研究會統計綜合評價研究分會). He is a chairman of Association of Institute of Economic and Management of Local Colleges in China (中國地方普通高校經濟管理院(系)協作會). Dr. Zhang specialises in research of innovative management methods and economic appraisal. Dr. Zhang has solid experience in administration and management for over 20 years.

SENIOR MANAGEMENT

Mr. YEUNG Chi Tat, aged 48, is the financial controller and company secretary of the Company. He holds a bachelor's degree in business administration and a master's degree in professional accounting. Mr. Yeung possesses experience in auditing, corporate restructuring and corporate financial services. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a senior international finance manager of International Financial Management Association.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") and senior management of Dynasty Fine Wines Group Limited (the "Company") are committed to maintaining high standards of corporate governance and believe that high standards of corporate governance are essential to the sustainable growth and success of the Company and provide a practice enhancing greater accountability and transparency and meeting the expectations of all of the Group's stakeholders.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31 December 2014.

Following the resignation of Mr. Bai Zhisheng on 29 January 2014, Mr. Hao Feifei, general manager and executive director of the Company, has been appointed by the Board as the chairman of the Board and as the chairman of the nomination committee of the Board. There was a deviation from code provision A.2.1 of the Corporate Governance Code (the "Code"), namely, the roles of the chairman and chief executive officer (general manager) have not been separated, from 29 January 2014 to 6 June 2014. Prior to 6 June 2014, Mr. Hao Feifei held the roles of both chairman and general manager of the Company. The Board considered that Mr. Hao Feifei, possessing solid experience in corporate management, was suitably qualified to lead the Company and oversee the business development and take up the function of formulating and managing the investment strategies. His service in both roles was beneficial to the stable development of the Company. However, in order to enhance the level of corporate governance, Mr. Hao Feifei ceased to be the general manager of the Company, and Mr. Yin Jitai, was appointed as the general manager of the Company with effect from 6 June 2014. Subsequent to the management change, the Company has complied with such code provision of the Code.

On 30 August 2014, following the passing away of Dr. Hui Ho Ming, Herbert, Dr. Hui is ceased to be chairman of audit committee, member of remuneration committee and nomination committee of the Company, there remains two independent non-executive directors on the Board as well as on each of the committees. The chairman position of audit committee has been vacated. The number of independent non-executive directors and audit committee members falls below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. In addition, the number of independent non-executive directors of remuneration committee of the Company has fallen below a majority required under Rule 3.25 of the Listing Rules.

On 28 November 2014, following the appointment of Dr. Zhang Guowang as an independent non-executive director as well as the chairman of the Remuneration Committee, and a member of each of the Audit Committee and nomination committee of the Company, the Company has complied with the requirement of minimum number of independent non-executive directors and audit committee members under Rules 3.10(1) and 3.21 of the Listing Rules respectively. The Remuneration Committee comprises a majority of independent non-executive directors as required under Rule 3.25 of the Listing Rules.

Only two regular board meetings were held in 2014 as the internal investigation and audit were still in progress, thus the number of board meetings was below a minimum required under Code Provision A.1.1 of Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules where the board should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals. However, the management of the Company has kept provided all members of the Board, in a timely manner, updates on any material changes to the performance and position of the Company.

Only one audit committee meeting was held in 2014 as the internal investigation and audit were still in progress, thus the number of meetings was below a minimum required under Code Provision C.3.3 e) i) of Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules where members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors. However, the management of the Company has kept provided audit committee members of the Board, in a timely manner, updates on any material issues of the Company.

To promote corporate governance among listed issuers, the Stock Exchange has introduced Rule 3.10A where independent non-executive Directors of a listed issuer must represent at least one-third of the board commencing from 31 December 2012. The Company intended to appoint one more independent non-executive Director and a non-executive Director would resign voluntarily correspondingly. Following these intended changes, the Board would have three executive Directors, five non-executive Directors and four independent non-executive Directors and would be in compliance with the requirements of the new Rule 3.10A of the Listing Rules. The Company intended to look for suitable candidate of independent non-executive director who is familiar with the fast moving consumer goods industry, and who has extensive experience in the wine business. However, up to 31 December 2014, the Company has not yet identified such a suitable candidate. The number of independent non-executive directors of the Company fall below one-third of the Board. As such, the number of independent non-executive Directors of the Company cannot represent at least one-third of the Board as required under Rule 3.10A of the Listing Rules.

During the year ended 31 December 2014, as a result of internal investigation not yet finalised, additional time is required by the Company for the completion of the audit for the consolidated financial statements for the years ended 31 December 2012 and 2013 and finalise the outstanding results announcements and reports, the Group has breached the financial reporting provisions under (i) Rule 13.49(1)/13.49(6) and (ii) 13.26(2)/13.48(1) of the Listing Rules in respect of (i) announcing the annual/interim results for the years ended 31 December 2012 and 2013 and for the six-month periods ended 30 June 2013 and 2014; (ii) publishing the related annual/interim reports for the years ended 31 December 2012 and 2013 and for the six-month periods ended 30 June 2013 and 2014; and (iii) convening an annual general meeting for the financial years ended 31 December 2012 and 2013.

During the year, save as disclosed above, none of the Directors was aware of any information that would reasonably indicate that the Company was not in compliance with all the applicable code provisions from 1 January 2014 to 31 December 2014. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

The following sections set out how the principles in the Codes have been complied with by the Company during the financial year ended 31 December 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors' securities transactions (the "Mode Code"). The Company has made specific enquiry with all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the financial year ended 31 December 2014.

BOARD OF DIRECTORS

The Board believes that high standards of corporate governance are essential to the sustainable growth and success of the Company and provided guidelines enhancing greater accountability and transparency and meeting the expectations of all of the Group's stakeholders.

The Board has adopted these guidelines, which reflect the Company's commitment to high standards of corporate governance, to assist the Board in supervising the management of the business and affairs of the Company and its subsidiaries (the "Group").

The Board will review these guidelines annually, or more often if warranted, and recommend such changes as it determines necessary and appropriate in light of the needs of the Company and legal, regulatory and other developments.

The Board represents the shareholders' interests in maintaining and growing a successful business including optimising consistent long term financial returns. The Board is responsible for the stewardship of the Company and is accountable for determining that the Group is managed in such a way as to achieve this objective.

Composition of the Board

As at 31 December 2014, the Board comprised three executive Directors, namely Mr. Hao Feifei (Chairman), Mr. Yin Jitai (General Manager) and Mr. Sun Yongjian; five non-executive Directors, namely Mr. Heriard-Dubreuil Francois, Ms. Shi Jing, Mr. Jean-Marie Laborde, Mr. Wong Ching Chung and Mr. Robert Luc; and three independent non-executive Directors, namely Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee.

Save as set out at the beginning of this report, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of sufficient independent non-executive Directors and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or relating financial management expertise. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has also received annual confirmation of independence to the Company from the three independent non-executive Directors. The Board has assessed their independence and considered that all the independent non-executive Directors are independent within the definition of the Listing Rules.

Mr. Heriard-Dubreuil Francois, Mr. Jean-Marie Laborde, Mr. Wong Ching Chung and Mr. Robert Luc held or continue to hold Directorships or other management positions within the group comprising Andromede S.A. (the ultimate controlling shareholder of Remy Pacifique Limited, a substantial shareholder of the Company), its subsidiaries and joint venture companies. Ms. Shi Jing held or continues to hold Directorships or other management positions within the group comprising Tsinlien Group Company Limited (which is the ultimate controlling shareholder of the Company), its subsidiaries and associated companies from 25 June 2014, before that it was the ultimate controlling shareholder of a controlling shareholder of the Company, Tianjin Development Holdings Limited ("Tianjin Development"), its subsidiaries and joint venture companies. Other than as described above, there was no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors and in particular, there was no relationship between Mr. Hao Feifei, the chairman and Mr. Yin Jitai, the general manager during the year ended 31 December 2014.

The Board

The Board oversees the Group's overall strategic directions, businesses and financial performance. It assumes responsibilities for strategy formulation, corporate governance and performance monitoring. Daily operations and administration are delegated to the management with divisional heads responsible for different aspects of the business. Moreover, the Board has also delegated day-to-day responsibility to the executive management and various responsibilities to the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee"). Further details of the roles and duties of these committees are set out in this report.

Corporate Governance Report

During the year, two regular board meetings were held. Notice of more than 14 days was given to all Directors to attend a regular board meeting. For all other board meetings, reasonable notice will be given to the Directors. Their individual attendance records, on a named basis, during the year ended 31 December 2014 are set out in the table below:

Board Members	Meetings attended/held
Executive Director	
Hao Feifei	2/2
Yin Jitai (appointed on 6 June 2014)	2/2
Sun Yongjian (appointed on 13 June 2014)	2/2
Huang Yaqiang (resigned on 28 November 2014)	1/2
Bai Zhisheng (resigned on 29 January 2014)	0/0
Non-executive Director	
Heriard-Dubreuil Francois	2/2
Shi Jing	2/2
Jean-Marie Laborde	2/2
Wong Ching Chung	2/2
Robert Luc	2/2
Dong Jingrui (resigned on 13 June 2014)	0/0
Independent Non-executive Director	
Zhang Guowang (appointed on 28 November 2014)	0/0
Yeung Ting Lap Derek Emory	2/2
Sun David Lee	2/2
Hui Ho Ming, Herbert (passed away on 30 August 2014)	0/0

Board minutes prepared and kept by the company secretary are sent to the Directors for records and are open for inspection at any reasonable time on reasonable notice by any Director.

All Directors are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event at least 3 days before the Board meeting), including business and financial reports covering the Group's principal business activities, financial highlights and operational review. All Directors are given opportunities to include matters in the agenda for regular board meetings. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible.

If so required, the Directors are free to have access to the management for enquiries and to obtain further information so as to facilitate the decision-making process.

Every Director has unrestricted access to the advice and services of the company secretary.

The Directors were continually updated with legal and regulatory developments, business and market changes and development of the Company to facilitate the discharge of their responsibilities. The company secretary from time to time updates and provide briefings and written training materials to the Directors, regarding the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities. In addition, the Directors can obtain independent professional advice at the Company's expense in discharging their duties to the Company.

Induction tailored kit will be given to newly appointed Director to his/her individual needs. This enables them to have better understanding of the Group's businesses and policies.

During the year ended 31 December 2014, all Directors participated in continuous professional development to develop and refresh their knowledge and skills by reading material relevant to the director duties and responsibilities. The company secretary maintains Directors' records of training received by them during the year.

The training received by the Directors during the year 2014 is summarised below:

Name of Directors	Types of training
Executive Directors	
Hao Feifei	B
Yin Jitai (appointed on 6 June 2014)	A, B
Sun Yongjian (appointed on 13 June 2014)	A, B
Huang Yaqiang (resigned on 28 November 2014)	B
Bai Zhisheng (resigned on 29 January 2014)	B
Non-Executive Directors	
Heriard-Dubreuil Francois	B
Shi Jing	B
Jean-Marie Laborde	B
Wong Ching Chung	B
Robert Luc	B
Dong Jingrui (resigned on 13 June 2014)	B
Independent Non-Executive Directors	
Zhang Guowang (appointed on 28 November 2014)	A, B
Yeung Ting Lap Derek Emory	B
Sun David Lee	B
Hui Ho Ming, Herbert (passed away on 30 August 2014)	B

A – Attending briefings/seminars/conferences/forums

B – Reading/studying training or other materials

Corporate Governance Report

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Non-executive Directors and independent non-executive Directors have the same fiduciary duties, duties of care and skills as executive Directors. Non-executive Directors provide the Group with a wide range of knowledge and expertise in the wine industry. The independent non-executive Directors also participate actively in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take a lead when potential conflicts of interest arise. Independent board committee comprising all independent non-executive Directors will be formed to advise the independent shareholders on those connected transactions to be approved by the independent shareholders at the special general meeting of the Company as appropriate. They are also members of various board committees who devote sufficient amount of time and attention to the affairs of the Company.

Directors' appointment, re-election and removal

Pursuant to the Articles of Association of the Company, every Director shall be subject to retirement by rotation at least once every three years and a Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting. The new Director shall not be taken into account in determining the number of Directors who are to retire by rotation at that general meeting.

All non-executive Directors and the independent non-executive Directors of the Company are appointed for a term of three years, but they are subject to retirement by rotation and re-election at the annual general meeting ("AGM") of the Company pursuant to Article 87 of the Company's Articles of Association.

Nomination committee

The Nomination Committee was formed in March 2012 with written terms of reference in compliance with the CG Code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and recommending suitable candidates to the Board for Directorship, after considering the independence, skill and competence of the nominees, to ensure that nominations are fair. During the year ended 31 December 2014, the chairman of the Nomination Committee was Mr. Hao Feifei, an executive Director and other members comprised Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee, all being independent non-executive Directors. Independent non-executive Directors constituted the majority of the committee.

During the year ended 31 December 2014, the Nomination Committee had reviewed the experience, independency, qualifications, and skills of the nominees, and recommended to the Board on the nomination of three new Directors by three written resolutions. The Board approved the recommendations of the Nomination Committee during the year. The resolution records of individual committee members are set out in the table below:

Name of member	Resolution approved/prepared
Hao Feifei (appointed as chairman of the committee on 29 January 2014)	3/3
Zhang Guowang (appointed on 28 November 2014)	0/0
Yeung Ting Lap Derek Emory	3/3
Sun David Lee	3/3
Hui Ho Ming, Herbert (passed away on 30 August 2014)	2/2
Bai Zhisheng (resigned on 29 January 2014)	0/0

The terms of reference of the Nomination Committee are available from the company secretary at any time and the information in respect of the Nomination Committee is included in the websites of the Company and the Stock Exchange.

DIVISION OF RESPONSIBILITIES

The Chairman is responsible for the leadership to and effective running of the Board in terms of establishing policies and business directions. The Chairman ensures that the Board functions effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The Board also comprises three independent non-executive Directors who bring in strong independent judgement, knowledge and experience to the Board. In addition, each executive Director is delegated individual responsibility to monitor and oversee the operations of a specific area, and to implement the strategies and policies set by the Board. As noted above and below, all the Audit Committee members and a majority of the Remuneration Committee and Nomination Committee members are independent non-executive Directors. This structure ensures that a sufficient balance of power and authority exists within the Group. During the financial year ended 31 December 2014, Mr. Bai Zhisheng (from 1 January to 29 January 2014) and subsequently Mr. Hao Feifei (from 30 January to 31 December 2014) as the Chairman led the Board and ensured that all Directors were properly briefed on issues to be discussed at board meetings. Mr. Hao Feifei (from 1 January to 6 June 2014) and subsequently Mr. Yin Jitai (from 7 June to 31 December 2014) as the general manager provided leadership for effective running of the Company's business and implementation of the approved strategies in achieving the overall commercial objectives.

REMUNERATION OF DIRECTORS

Remuneration Committee

The Remuneration Committee was formed in 2005. During the year ended 31 December 2014, the chairman of the Remuneration Committee was Dr. Zhang Guowang, an independent non-executive Director and the other members comprised Mr. Sun Yongjian, being executive Director and Mr. Wong Ching Chung, being non-executive Director and Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee, both being independent non-executive Directors of the Company. Independent non-executive Directors constituted the majority of the committee. The terms of reference of the Remuneration Committee are summarised as follows:

1 To make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration for the Company;

2 To make recommendations to the Board on the remuneration packages of all individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors and independent non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

3 To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4 To review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

5 To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

6 To ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2014, the Remuneration Committee has reviewed and recommended to the Board on remuneration of three new Directors by two written resolutions. The Board has approved the recommendations of the Remuneration Committee during the year. The resolution records of individual committee members are set out in the table below.

Name of member	Resolution approved/prepared
Zhang Guowang (appointed on 28 November 2014)	0/0
Sun Yongjian (appointed on 13 June 2014)	1/1
Wong Ching Chung	2/2
Hui Ho Ming, Herbert (passed away on 30 August 2014)	1/1
Yeung Ting Lap Derek Emory	2/2
Sun David Lee	2/2
Dong Jingrui (resigned on 13 June 2014)	1/1

The terms of reference of the Remuneration Committee are available from the company secretary at any time and the information in respect of the Remuneration Committee is included in the websites of the Company and the Stock Exchange.

Remuneration package for Directors and senior management

The remuneration for the executive Director comprises basic salary, housing allowances and pensions.

Salary adjustments are made where the Remuneration Committee takes into account the performance, contribution and increased responsibilities of the individual during the year, the inflation price index and/or by reference to market/sector trends.

Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as the corporate and the individual's performance during the year. During the year ended 31 December 2014, the Company did not pay any discretionary bonus to the executive Directors.

In order to attract, retain and motivate talented eligible staff and officers, including the Directors, the Company has adopted a Share Option Scheme. The scheme enables eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their continuing contributions to the Group.

The remuneration of members of the senior management (including executive directors) by band for the year ended 31 December 2014 is as follows:

Remuneration bands *(HK$)*	Number of individuals
Nil – 1,000,000	4
1,000,001 – 2,000,000	3

Details of the amount of Directors' emoluments during the year ended 31 December 2014 are set out in note 30 to the financial statements and details of the Share Option Scheme and number of options granted by the Company, cancelled, lapsed and exercised during the year ended 31 December 2014 are set out in the Directors' Report and note 21 to the financial statements.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility for the preparation of the financial statements for the financial year ended 31 December 2014. In preparing the financial statements for the year ended 31 December 2014, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards have been adopted, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Directors had reviewed the financial projections of the Group in respect of the year ending 31 December 2015. On the basis of this review, the Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of any material uncertainties relating to conditions or events which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The internal control system is designed to provide reasonable, though not absolute, assurance against material misstatement or loss, and manage rather than eliminate risks of failure to achieve business strategies. The Group's internal control framework covers (i) the setting of a defined management structure with limits of authority and clear lines of accountability; and (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations from budgets and targets.

The relevant executive Directors and senior management are delegated with respective level of authorities. Yearly budgets of the Company are reviewed and approved by the Board. The relevant executive Directors and senior management have specific responsibilities for monitoring the performance, conduct and operations of each subsidiary within the Group by the review of the disparity between actual results and yearly budgets. Regular and ad hoc reports will also be prepared for the Board and its committees, to ensure that Directors are supplied with all the information they require in a timely and appropriate manner.

Although the Company is no longer required to retain a person of the post of "qualified accountant" as previously required under the Listing Rules before 1 January 2009, the Company continues to maintain a team of qualified accountants to oversee its accounting and financial reporting function.

Internal Investigation and Internal Control

As disclosed in the announcement of the Company dated 26 March 2013, the Company has been informed by its auditor, that they had received anonymous allegations against certain transactions of the Group (the "Allegations"). The Board has authorised the Audit Committee to undergo an investigation of such Allegations. Upon being notified of the Allegations and authorised by the Board, the Audit Committee has forthwith engaged its legal advisers and Ernst & Young Advisory Services Ltd. ("EY") to conduct an internal investigation to verify the truthfulness of the Allegations. The Internal Investigation was completed on 24 October 2016 and the results of the internal investigation report issued by EY (the "Investigation Report") have been disclosed in the announcement of the Company dated 2 August 2016. Issues were identified in three major areas, namely (i) sales arrangements; (ii) non-sellable inventory; and (iii) potential understatement of selling expenses.

In addition, in order to address the findings, the Group has engaged an external internal control adviser for a review of the internal control system of the Group including the issues identified in the Investigation Report. Internal control policies and guidelines were established or enhanced according to the recommendations of the internal control adviser. The review remained in progress as at the date of the report.

AUDIT COMMITTEE

During the year ended 31 December 2014, the Audit Committee comprised three independent non-executive Directors namely, Mr. Yeung Ting Lap Derek Emory, Dr. Zhang Guowang and Mr. Sun David Lee. One of these Directors, Mr. Yeung Ting Lap Derek Emory, had appropriate professional qualifications and experience in financial matters and was the chairman of the Audit Committee. The Audit Committee of the Company has written terms of reference. The Audit Committee is responsible for assisting the Board in discharging its responsibilities in monitoring the integrity of the Group's financial reporting process, the financial statements and reports of the Company, consideration of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget, the effectiveness of the Group's system of internal controls, as well as the arrangements with external auditors. The Audit Committee reports its findings and makes recommendations to the Board in board meetings.

In fulfilling its responsibilities, the work of the Audit Committee during the year ended 31 December 2014 included the following:

i) a review of the draft annual financial statements for the year ended 31 December 2013 and draft interim financial statements for the period ended 30 June 2014 of the Group;

ii) sought comments from the external auditors on update of the Internal Investigation by EY in order to facilitate the completion of the Internal Investigation;

iii) met with professional parties to clarify the update of the Internal Investigation and considered any additional procedures required.

During the year ended 31 December 2014, the Audit Committee met once together with an executive Director, the financial controller as well as with the external auditors. Please refer to the table below for the attendance record of individual Audit Committee members:

Name of member	Meeting attended/held
Yeung Ting Lap Derek Emory	1/1
Sun David Lee	1/1
Zhang Guowang (appointed on 28 November 2014)	0/0
Hui Ho Ming, Herbert (passed away on 30 August 2014)	0/0

In accordance with its written terms of reference, the audit committee meetings shall be held not less than two times a year to review the interim results and annual results of the Group. As a result of the internal investigation which had resulted in the delay in the release of the outstanding financial results, only one audit committee meeting had been held during the year ended 31 December 2014 and this deviated from the audit committee's terms of reference. Going forward, the Company will convene audit committee meeting at least twice a year with the Company's auditors.

The terms of reference of the Audit Committee is available from the company secretary at any time and the information in respect of the Audit Committee is included in the websites of the Company and the Stock Exchange.

COMPANY SECRETARY

During the year ended 31 December 2014, Mr. Yeung Chi Tat, the company secretary of the Company, was responsible directly to the Board. The company secretary had duly complied with the relevant qualifications, experience and training requirements under the Listing Rules.

AUDITORS' REMUNERATION

During the year ended 31 December 2014, the remuneration paid/payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group is set out as below:

Nature of services	Amount *(HK$'000)*
Audit services	5,033
Non-audit services – tax services, internal control review and other engagements	–

COMMUNICATION WITH SHAREHOLDERS

Channels

Communication with shareholders is given high priority. In order to develop and maintain a continuing investors' relationship with the Company's shareholders ("Shareholders"), the Company has established various channels of communication with its shareholders:

1) The AGM provides opportunities for the shareholders of the Company to meet and raise questions to our Directors, the management and the external auditors. Members of the Board and Audit, Remuneration and Nomination Committees, and external auditors will attend the AGM. The Group encourages all Shareholders to attend. Shareholders can raise any comments on the performance and future directions of the Company and exchange views with the Directors, members of Board Committees, the management and the external auditors at the AGM. The notice of the annual general meeting ("AGM") will be published on the Company's website and the Stock Exchange's website and sent to the Shareholders in due course after the date of the forthcoming AGM has been determined. The Company will also publish further announcement in respect of the closure of register of members for AGM in due course;

2) The Company's website at www.dynasty-wines.com provides regularly updated information of interest to shareholders, including corporate information, biographical details of Directors, shareholding structure, annual and interim reports, major historical developments with comprehensive and user-friendly information about the Group, as well as announcements and press releases issued by the Company, and a channel for enquiries and feedback;

3) Information relating to the Company's financial results, corporate details, notifiable transactions and other major events are timely disseminated through publication of interim and annual reports, announcements, circulars and press releases.

Meetings

The Board and senior management recognise the importance of their responsibility to represent the interests of all Shareholders and to maximise Shareholders' value. The AGM is a valuable forum for the Board to communicate directly with the Shareholders. At the AGM, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors.

An AGM circular will be distributed to Shareholders at least 20 clear business days before the AGM and will be included with the notice to Shareholders of any future AGM. It sets out the procedures for conducting a poll and other relevant information of the proposed resolutions. The most recent Shareholders' meeting was the AGM held on 30 May 2012 and all resolutions were passed at the AGM by way of poll. Voting results were posted on the Group's website on the day of the AGM.

The notice of the AGM will be published on the Company's website and the Stock Exchange's website and sent to the Shareholders in due course after the date of the forthcoming AGM has been determined. The Company will also publish further announcement in respect of the closure of register of members for AGM in due course.

The Company did not hold its annual general meeting in 2014. The Board will convene an annual general meeting in the near future to approve the audited consolidated financial statements for the years ended 31 December 2012, 2013 and 2014.

Shareholders' right

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more 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 to vote at general meetings of the Company can at all times make a written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and deposited at the Hong Kong office of the Company at Units E&F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong; and such meeting shall be held within 2 months after deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address.

Procedures by which enquiries put to the Board

Shareholders may put forward enquiries to the Board through the company secretary who will direct the enquiries to the Board for handling.

Contact details of the company secretary

The company secretary
Dynasty Fine Wines Group Limited
Units E&F, 16/F., China Overseas Building,
139 Hennessy Road,
Wanchai, Hong Kong

Tel No.: (852) 2918-8000
Fax No.: (852) 2918-8099

Matters relating to share registration

Shareholders can contact Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, if they have any enquiries about their shares and dividends.

Contact details
Address:
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Tel No.: (852) 2980-1333
Fax No.: (852) 2810-8185

Significant changes in memorandum and articles of association

During the year, there was no significant change to the Company's memorandum and articles of association.

Market Capitalisation

As at 31 December 2014, the market capitalisation of the Company was approximately HK$1,797 million (issued share capital: 1,248,200,000 shares at closing market price: HK$1.44 per share). Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 March 2013 and will remain suspended until further notice.

Financial Section

Directors' Report

The Directors submit herewith this annual report together with the audited consolidated financial statements of Dynasty Fine Wines Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and sale of grape wine products. The principal activities of the Company's principal subsidiaries are production and sale of grape wine products. Particulars of the Company's subsidiaries are set out in Note 9 to the financial statements. The nature of the principal activities of the Group has not changed during the year.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 December 2014 are set out in the section headed "Consolidated Income Statement" of the annual report.

The Directors do not recommend the payment of any dividend to shareholders of the Company for the year ended 31 December 2014.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 20 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year and distributable reserves of the Company as at 31 December 2014 are set out in Note 22 to the financial statements and the balance sheet of the Company respectively.

GROUP FINANCIAL SUMMARY

The results and of the assets and liabilities of the Group for the latest five financial years are summarized in the section headed "Five Years Summary" of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 15 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro rata basis to existing shareholders ("Shareholders").

Directors' Report

DIRECTORS

The Directors who held office during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Hao Feifei	
Mr. Yin Jitai	(appointed on 6 June 2014)
Mr. Sun Yongjian	(appointed on 13 June 2014)
Mr. Bai Zhisheng	(resigned on 29 January 2014)
Mr. Huang Yaqiang	(resigned on 28 November 2014)

Non-executive Directors:

Mr. Heriard-Dubreuil Francois	
Ms. Shi Jing	
Mr. Jean-Marie Laborde	
Mr. Wong Ching Chung	
Mr. Robert Luc	
Mr. Dong Jingrui	(resigned on 13 June 2014)

Independent non-executive Directors:

Dr. Zhang Guowang	(appointed on 28 November 2014)
Mr. Yeung Ting Lap Derek Emory	
Mr. Sun David Lee	
Dr. Hui Ho Ming, Herbert	(passed away on 30 August 2014)

In accordance with Article 87 of the Company's Articles of Association, all the existing directors will retire from their office by rotation at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for a term of three years. Each of these contracts may be terminated by either party giving not less than two months' notice in writing.

The independent non-executive Directors are appointed for a period of three years in accordance with their respective appointment letters.

None of the Directors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biography of Directors and Senior Management" of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No Director, or a connected entity of a Director, had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE OPTION SCHEME

Pursuant to the resolution passed by the Shareholders on 6 December 2004, a share option scheme (the "Scheme") was approved and adopted. Relevant information relating to the Scheme disclosed in accordance with the Listing Rules is set out as follows:

(a) Purpose of the Scheme

The purpose of the Scheme is to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

(b) Participants of the Scheme

The Board may offer any employee or former employee, directors or former directors of the Company or any of its subsidiaries or any person or entity acting in their capacities as advisers or consultants or former advisers or consultants that provides research, development or other technological support to the Group and their bona fide wife, husband, widow or widower or child or stepchild under the age of 18 years.

(c) Maximum number of shares available for issue under the Scheme

Except with the approval of the Company's independent Shareholders at general meeting, the total number of shares of the Company ("Shares") which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the issued share capital of the Company as at 26 January 2005, the date on which Shares commenced trading on the Stock Exchange, or 30% of the issued share capital of the Company from time to time. No options may be granted under the Scheme if this will result in such limit being exceeded. As at 31 December 2014, the Company has granted share options representing the right to subscribe for 26,450,000 Shares under the Scheme of which share options representing the right to subscribe for 21,450,000 Shares have been lapsed cancelled and exercised. The Scheme is expired on 5 December 2014. The Company may further grant share options to subscribe for 93,550,000 Shares, representing approximately 7.5% of the total number of Shares in issue as at the date of this report.

(d) Maximum entitlement of each participant under the Scheme

Except with the approval of the Company's independent Shareholders at general meeting, no option shall be granted to any participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue as at the date of this report.

(e) Period and payment on acceptance of options

An offer of grant of an option may be accepted by a grantee within the date as specified in the offer letter issued by the Company, being a date not later than 21 days after (i) the date on which the offer letter was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

(f) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price determined by the Board and notified to the participants and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(g) Period of the Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of ten years from 6 December 2004, after which period no further option shall be granted.

Details of the share options granted, exercised, lapsed and cancelled under the Scheme during the year are as follows:

	Outstanding options held at 1 January 2014 *(Note 1)*	Granted/ Exercised	Reclassification *(Note 2)*	Lapsed/ Cancelled	Outstanding options held at 31 December 2014 *(Note 1)*
Executive Directors:					
Mr. Yin Jitai (appointed on 6 June 2014)	–	–	800,000	–	800,000
Mr. Bai Zhisheng (resigned on 29 January 2014)	2,300,000	–	–	(2,300,000)	–
Non-executive Directors:					
Mr. Heriard-Dubreuil Francois	1,200,000	–	–	–	1,200,000
Mr. Wong Ching Chung	200,000	–	–	–	200,000
Other employees	6,400,000	–	(800,000)	(2,800,000)	2,800,000
Total	10,100,000	–	–	(5,100,000)	5,000,000

Notes:

(1) These share options (except for the 1,200,000 share options granted to Mr. Bai Zhisheng) were granted on 27 January 2005, with an exercise price of HK$3.00 and are exercisable from 17 August 2005 to 26 January 2015. Share option to subscribe for 1,200,000 Shares was granted to Mr. Bai Zhisheng on 1 November 2006 with an exercise price of HK$3.00 and are exercisable from 22 May 2007 to 31 October 2016. The share options granted to Mr. Bai Zhisheng were lapsed subsequent to his resignation.

(2) Mr. Yin Jitai were appointed as executive director of the company on 6 June 2014, before that Mr. Yin Jitai, as a employee, had 800,000 outstanding share options.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Interests in the Company

Name of Directors	Personal interests in shares	Number of underlying shares held pursuant to share options	Total interests	Approximate percentage of the Company's issued share capital
Executive Director:				
Mr. Yin Jitai	–	800,000	800,000	0.06%
Non-executive Directors:				
Mr. Heriard-Dubreuil Francois	–	1,200,000	1,200,000	0.10%
Mr. Wong Ching Chung	–	200,000	200,000	0.02%

(ii) Rights to acquire Shares

The interests of the Directors in the share options of the Company as beneficial owner are set out in the section headed "Share Option Scheme" above.

As at 31 December 2014, none of the Directors, chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed in this report, at no time during the year ended 31 December 2014 was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the interests or short positions of any persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

(i) Long position in Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Famous Ever Group Limited *(Note 1/2)*	Beneficial owner	558,000,000	44.70%
Tsinlien Group Company Limited *(Note 1/2)*	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical") *(Note 2)*	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai") *(Note 2)*	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings") *(Note 2)*	Interest of a controlled corporation	558,000,000	44.70%
Remy Pacifique Limited *(Note 3)*	Beneficial owner	336,528,000	26.96%
Remy Concord Limited *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau Services S.A.S. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau S.A. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Orpar S.A. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Andromede S.A. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%

Notes:

(1) On 5 May 2014, Tianjin Development Holdings Limited ("Tianjin Development"), the controlling shareholder of the Company, entered into a sale and purchase agreement with Tsinlien Group Company Limited ("Tsinlien"), the controlling shareholder of Tianjin Development, for disposal of the entire issued share capital of Famous Ever Group Limited ("Famous Ever"), to Tsinlien (the "Disposal"). The sole asset of significance of Famous Ever is the holding of 558,000,000 ordinary shares of the Company, representing approximately 44.7% equity interest. The Disposal was completed on 25 June 2014.

(2) Famous Ever Group Limited is a direct wholly-owned subsidiary of Tsinlien. Tsinlien is also a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings, Bohai and Tianjin Pharmaceutical, Tsinlien are deemed to be interested in the same parcel of shares of the Company in which Famous Ever Group Limited is interested.

(3) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93.33% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 35.84% of the voting power at general meetings of Remy Cointreau S.A.. Orpar S.A. is also entitled to exercise or control the exercise of approximately 61% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 14.76% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A. is entitled to exercise or control the exercise of all the voting power at general meetings of Orpar S.A.. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A. is deemed to be interested in the Shares held by Remy Pacifique Limited.

Apart from the aforesaid, as at 31 December 2014, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchase for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	5%
– five largest customers in aggregate	22%

Purchases

– the largest supplier	18%
– five largest suppliers in aggregate	50%

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the year.

MINIMUM PUBLIC FLOAT

Based on information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficiency of public float of the Company's Shares as required under the Listing Rules.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment as auditor of the Company.

On behalf of the Board
Mr. Hao Feifei
Chairman

Hong Kong, 8 December 2017

Independent Auditor's Report

羅兵咸永道

To the shareholders of Dynasty Fine Wines Group Limited
(incorporated in Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Dynasty Fine Wines Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 107, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal controls 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Scope Limitations Relating to Findings of the Investigation

As a result of the matters identified in an independent investigation ("Investigation") commissioned as described in note 2.2 to the consolidated financial statements, we had planned to conduct extended procedures in the audit of the Group's consolidated financial statements as at and for the year ended 31 December 2013 (the "2013 Audit"). There were scope limitations encountered in the 2013 Audit due to the loss of substantial accounting records and supporting documents.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The Group has taken into account of the findings of the Investigation when it prepared its consolidated financial statements as at and for the year ended 31 December 2014 as described in note 2.2 to the consolidated financial statements. Due to the findings of the Investigation and taken into consideration of the scope limitations encountered in the 2013 Audit, we have continued to plan to conduct extended procedures in the audit of the Group’s consolidated financial statements as at and for the year ended 31 December 2014. However, the scope limitations encountered in the 2013 Audit remained unresolved as outlined below.

Management did not maintain adequate accounting records and supporting documents, in particular, the sales agreements and shipping documents, for a substantial portion of the sales transactions to enable us to assess the sales transactions for the year ended 31 December 2014. The management was also not able to provide adequate supporting documents to enable us to satisfactorily complete the independent confirmation procedures in relation to the trade receivables balances as at 31 December 2014 and the sales transactions for the year then ended.

Despite management having conducted a physical count of inventory balances as at 31 December 2014 and was able to reconstruct its inventory records as at that date, management did not maintain adequate accounting records and supporting documents to support the calculation of the costing of the inventory balances together with the related costs of sales during the year ended 31 December 2014. Although the directors considered that the events leading to the significant unexplained differences of HK$53,148,000 between the physical count results at 31 December 2014 and the accounting records and the obsolete inventories identified in during the physical count of inventory balances at 31 December 2014 amounting to HK$244,451,000 described in note 2.2(ii) to the consolidated financial statements might have happened in and/or prior to 2014, the directors were unable to quantify the impact of these matters, if any, in and prior to 2014 due to the missing supporting documents and inventory records.

Management did not maintain adequate accounting records and supporting documents for the selling expenses incurred in and prior to 2014 to enable us to assess whether the marketing activities were carried out in the same period in which the selling expenses were recorded. Further, as described in note 2.2(iii) to the consolidated financial statements, although the directors considered that certain marketing expenses reimbursed to the distributors or incurred in other marketing activities previously recorded as distribution expenses should have been adjusted and accounted for as a reduction of the revenue earned from the distributors, the directors were unable to quantify the impact of this, if any, in and prior to 2014 due to the loss of the relevant records and documents. Management was also not able to provide adequate supporting documents to enable us to satisfactorily complete the independent confirmation procedures in relation to the selling expenses for the year ended 31 December 2014.

Because of the above scope limitations, we were unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(1) the occurrence, cut-off, accuracy, valuation, rights and obligations, existence and completeness of the sales transactions, the related receivables and payables balances and the related tax impacts as at and for the year ended 31 December 2014;

(2) the occurrence, cut-off, accuracy and completeness of the cost of goods sold and the related tax impacts for the year ended 31 December 2014;

(3) the occurrence, cut-off, accuracy, rights and obligations, existence and completeness of the selling and other expenses and the related payable balances and the related tax impacts as at and for the year ended 31 December 2014.

Besides, because the limitations encountered in the 2013 Audit remained unresolved, we were not able to determine whether any adjustments to the comparative figures as at and for the year ended 31 December 2013 were necessary.

Accordingly, we were not able to determine whether any adjustments to the consolidated financial statements were necessary.

2. Impairment of Property, Plant and Equipment

As described in note 15 to the consolidated financial statements, the Group's consolidated balance sheet included property, plant and equipment with a carrying amount of HK$472,292,000 at 31 December 2014.

During the years ended 31 December 2013 and 2014, the Group has been making losses and incurring operating cash outflows that was considered to be an indicator of impairment. However, the directors did not carry out an impairment assessment of its property, plant and equipment at 31 December 2013 and 2014 because the directors were unable to estimate the recoverable amounts of these assets as at the same dates due to the loss of the relevant records and documents.

Failure to perform impairment assessment when there is an indicator of impairment is a departure from Hong Kong Accounting Standard 36, "Impairment of Assets". Had impairment assessments been performed, impairment losses might have been recognised in the Group's consolidated income statements for the years ended 31 December 2013 and 2014. As the directors did not carry out impairment assessments as at the same dates, we were unable to determine the effects of the impairment provision, if any, on the consolidated financial statements of the Group as at and for the years ended 31 December 2013 and 2014.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 December 2017

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Revenue	5	**669,257**	873,700
Cost of sales	6	**(619,625)**	(786,776)
Gross profit		**49,632**	86,924
Distribution expenses	6	**(291,620)**	(411,881)
Administrative expenses	6	**(162,853)**	(192,822)
Other income, gains and losses	8	**10,228**	2,997
Operating loss		**(394,613)**	(514,782)
Finance income	11	**7,254**	5,889
Finance costs	11	**(8,792)**	(7,860)
Finance costs – net	11	**(1,538)**	(1,971)
Loss before income tax		**(396,151)**	(516,753)
Income tax expense	12	**(47)**	(36,836)
Loss for the year		**(396,198)**	(553,589)
Loss attributable to:			
Owners of the Company		**(393,523)**	(552,459)
Non-controlling interests		**(2,675)**	(1,130)
Loss per share attributable to owners of the Company for the year *(expressed in HK$ cents per share)*			
– Basic and diluted loss per share	13	**(31.53)**	(44.26)

The notes on pages 58 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(396,198)**	(553,589)
Other comprehensive (loss)/income:		
Currency translation differences	**(3,654)**	39,404
Total comprehensive loss for the year	**(399,852)**	(514,185)
Attributable to:		
– Owners of the Company	**(397,093)**	(513,773)
– Non-controlling interests	**(2,759)**	(412)

The notes on pages 58 to 107 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment	*15*	**472,292**	523,883
Leasehold land and land use rights	*14*	**62,238**	64,053
Goodwill	*16*	**–**	–
Investment in an associate	*10*	**–**	–
Deferred income tax assets	*25*	**–**	–
Trade and other receivables		**–**	1,569
		534,530	589,505
Current assets			
Trade receivables	*17*	**150,830**	192,545
Other receivables, deposits and prepayments	*17*	**84,061**	99,405
Inventories	*18*	**673,782**	834,483
Prepaid income tax		**3,660**	11,973
Short-term deposits with maturity over three months		**–**	8,855
Restricted cash	*19*	**9,158**	10,225
Cash and cash equivalents	*19*	**134,445**	196,935
		1,055,936	1,354,421
Total assets		**1,590,466**	1,943,926
Equity			
Equity attributable to owners of the Company:			
Share capital	*20*	**124,820**	124,820
Other reserves	*22*	**1,199,229**	1,204,752
Accumulated losses		**(614,240)**	(222,670)
		709,809	1,106,902
Non-controlling interests		**19,512**	22,271
Total equity		**729,321**	1,129,173

Consolidated Balance Sheet

As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Liabilities			
Current liabilities			
Trade payables	*23*	**299,090**	262,366
Other payables and accruals	*23*	**483,597**	436,823
Borrowings	*24*	**52,449**	89,059
Current income tax liabilities		**26,009**	26,505
		861,145	814,753
Total liabilities		**861,145**	814,753
Total equity and liabilities		**1,590,466**	1,943,926

The financial statements on pages 51 to 107 were approved by the Board of Directors on 5 December 2017 and were signed on its behalf

Hao Feifei	**Yin Jitai**
Director	*Director*

The notes on pages 58 to 107 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2014

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**317**	321
Interests in subsidiaries		**642,082**	1,014,333
Dividend receivable from subsidiaries		**104,739**	104,739
		747,138	1,119,393
Current assets			
Trade receivables		**9**	24
Other receivables, deposits and prepayments		**1,667**	1,497
Inventories		**361**	342
Cash and cash equivalents		**26,434**	47,718
		28,471	49,581
Total assets		**775,609**	1,168,974
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		**124,820**	124,820
Other reserves	*22*	**906,702**	908,655
(Accumulated losses)/Retained earnings		**(309,593)**	80,020
Total equity		**721,929**	1,113,495
Liabilities			
Current liabilities			
Trade and other payables and accruals		**12,578**	45,291
Amount due to subsidiaries		**9,114**	10,188
Amount due to Tsinlien		**31,988**	–
Total liabilities		**53,680**	55,479
Total equity and liabilities		**775,609**	1,168,974

The balance sheet of the Company was approved by the Board of Directors on 8 December 2017 and was signed on its behalf

Hao Feifei
Director

Yin Jitai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Attributable to owners of the Company					
		Share capital	Other reserves	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2013		124,820	1,166,066	329,789	1,620,675	22,683	1,643,358
Comprehensive loss							
Loss for the year		–	–	(552,459)	(552,459)	(1,130)	(553,589)
Other comprehensive income							
Currency translation differences		–	38,686	–	38,686	718	39,404
Total comprehensive income/(loss)		–	38,686	(552,459)	(513,773)	(412)	(514,185)
Transactions with owners in their capacity as owners							
Shares expired under share options scheme	*21, 22*	–	–	–	–	–	–
Balance at 31 December 2013		124,820	1,204,752	(222,670)	1,106,902	22,271	1,129,173

	Note	**Attributable to owners of the Company**					
		Share capital	**Other reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	Note	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 1 January 2014		**124,820**	**1,204,752**	**(222,670)**	**1,106,902**	**22,271**	**1,129,173**
Comprehensive loss							
Loss for the year		**–**	**–**	**(393,523)**	**(393,523)**	**(2,675)**	**(396,198)**
Other comprehensive loss							
Currency translation differences		**–**	**(3,570)**	**–**	**(3,570)**	**(84)**	**(3,654)**
Total comprehensive loss		**–**	**(3,570)**	**(393,523)**	**(397,093)**	**(2,759)**	**(399,852)**
Transactions with owners in their capacity as owners							
Shares expired under share options scheme	*21, 22*	**–**	**(1,953)**	**1,953**	**–**	**–**	**–**
Balance at 31 December 2014		**124,820**	**1,199,229**	**(614,240)**	**709,809**	**19,512**	**729,321**

The notes on pages 58 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash used in operations	27	**(26,130)**	(70,406)
Interest received		**7,254**	5,889
Income tax return		**8,313**	–
Income tax paid		**(543)**	(10,339)
Net cash used in operating activities		**(11,106)**	(74,856)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(13,908)**	(7,385)
Short-term deposits with maturity over three months		**8,855**	(8,855)
Restricted bank deposit		**1,067**	(9,263)
Proceeds from disposal of fixed assets		**5,695**	1,003
Amounts remitted to a distributor		**(57,107)**	(37,500)
Net cash used in investing activities		**(55,398)**	(62,000)
Cash flows from financing activities			
Proceeds from borrowings		**77,896**	101,113
Repayments of borrowings		**(63,664)**	(73,983)
Interest paid		**(8,792)**	(7,860)
Net cash used in financing activities		**5,440**	19,270
Net decrease in cash and cash equivalents		**(61,064)**	(117,586)
Cash and cash equivalents at beginning of year		**196,935**	293,946
Exchange (loss)/gain on cash and cash equivalents		**(1,426)**	20,575
Cash and cash equivalents at end of year		**134,445**	196,935

The notes on pages 58 to 107 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, whilst the principal office is Room E and F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The principal activity of the Company is investment holding and trading of wine products. The principal activities of the subsidiaries are stated in Note 9.

The shares of the Company were (the "Shares") listed on the Main Board of the Stock Exchange ("Stock Exchange") on 26 January 2005. On 22 March 2013, trading of the shares of the Company were suspended on the Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 5 December 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank facilities for the foreseeable future. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 24.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Investigation and prior year adjustments

In 2013, the Company was informed by its auditors that they had received certain anonymous allegations which might have an impact to the consolidated financial statements of the Company in relation to the sales arrangements with certain distributors, discrepancies in inventories held by the Group, recognition and classification of selling expenses and certain other matters. In response to these allegations, the audit committee of the Company ("Audit Committee") commissioned an independent investigation ("Investigation") involving third party consultants to investigate certain of these allegations. The Investigation was completed in 2016.

During the course of the preparation of the consolidated financial statements of the Company as at 31 December 2014 and for the year then ended, the directors have taken into account of the following findings of the Investigation.

(i) Sales arrangements with certain distributors

In 2010, the Group started a sales arrangement with a key distributor. Under this sales arrangement, the goods were shipped from the Group's manufacturing plants to certain offsite warehouses. The Group was responsible for the continuing management of the goods stored in the offsite warehouses, bore the inventory risk before the shipments to the downstream distributors and was obliged to assist the distributor to identify downstream distributors and end customers to further distribute the goods. The Investigation has further revealed that the Group had similar sales arrangements with other distributors from 2009 to 2012. Since 2013, the Group has stopped entering into this kind of sales arrangement with the relevant distributors, although delivery of goods to the downstream distributors and end customers under this sales arrangement has continued up to date.

Based on the findings of the Investigation, the directors considered the revenue arising from these sales arrangements should be recognised at the time when the goods were shipped to the downstream distributors or end customers as instructed by the distributors, i.e., when the actual risks and rewards associated with these goods were transferred to the downstream distributors or end customers outside of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Investigation and prior year adjustments *(continued)*

(ii) Discrepancies in inventories

Based on various internal documents addressing the quality issues of the goods of the Group prepared in 2012 and 2013 identified in the Investigation, the Group became aware that there were significant balance of obsolete inventories stored in various warehouses of the Group, in particular, those offsite warehouses as mentioned in (i) above. Certain inventory records of the Group relating to 2014 and prior years, as revealed by the Investigation and uncovered by management, were not properly maintained.

In response to the findings above, the Group reconstructed its inventory records from 31 December 2014 onwards based on the results of the physical counts of inventory balance at 31 December 2014 and 31 December 2015. The inventory records prior to 31 December 2014 could not be reconstructed by the Group as a substantial number of documents supporting the movements of inventories and other supporting documents were missing. The Group performed a reconciliation of inventory balances between the physical count results and the accounting records of inventory at 31 December 2014. The net aggregated unexplained difference made up by different inventory items between the physical count result and the accounting records of inventory amounted to HK$53,148,000 was recognised as stock loss for the year ended at 31 December 2014 based on the judgement and estimation made by the Group.

Besides, the Group identified significant balances of obsolete inventories, including unsellable finished goods due to quality issue, amounting to HK$244,451,000 during the physical count of inventory balances at 31 December 2014. Together with other adjustments, provisions for inventory write-down of HK$210,244,000 was charged to the Group's consolidated financial statements for the year ended 31 December 2013, while the related balance as at 31 December 2014 was HK$263,389,000.

The directors considered that the events leading to the discrepancies in inventories might have happened in and/or prior to 2014. However, due to the missing supporting documents and inventory records, the Group was unable to quantify the impact, if any, in and prior to 2014. Under the circumstances the directors considered that the abovementioned accounting treatments represented a pragmatic way to record the unexplained differences between the physical count results and the accounting records and the obsolete inventories identified.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Investigation and prior year adjustments *(continued)*

(iii) Recognition and classification of selling expenses

Based on the findings of the Investigation, the directors considered that certain of the selling expenses in relation to the sales arrangement described in (i) above had not been recorded in the proper reporting periods in accordance with the arrangements and other documents. Also, as revealed by the Investigation and uncovered by management, certain accounting records and supporting documents in relation to these selling expenses incurred in and prior to 2014 were not properly maintained. Although the Group has attempted to reconstruct its records in relation to selling expenses, due to the loss of the relevant records and documents, the Group was unable to accurately and completely reallocate these selling expenses to the relevant accounting periods in and prior to 2014.

Further, during the process of reconstructing the selling expenses records, the Group considered that certain marketing expenses reimbursed to the distributors or incurred in other marketing activities previously recorded as distribution expenses were related to the sales transactions with the distributors, and thus should have been adjusted and accounted for as a reduction of the revenue earned from the distributors. Due to the loss of the relevant records and documents, the Group was unable to quantify the impact, if any, in and prior to 2014. As a result, no adjustment was made by the Group in this respect on the consolidated financial statements of the Group as at and for the years ended 31 December 2014 and 2013.

2.3 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New Hong Kong Companies Ordinance

In addition, the requirements of "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policy and disclosures *(continued)*

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policy and disclosures *(continued)*

(c) New standards and interpretations not yet adopted (continued)

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of HKFRS 16.

There are no other HKFRSs interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Subsidiaries

2.4.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Subsidiaries *(continued)*

2.4.1 Consolidation (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.4.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who are the executive directors. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 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'). The consolidated financial statements are presented in HK dollars, which is the Company's presentation and functional currency. The functional currency of the Group's subsidiaries in the PRC is Renminbi.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other income, gains and losses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement 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 rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

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. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Buildings	20 years
–	Machinery	10 years
–	Vehicles	5 years
–	Furniture, fittings and equipment	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income, gains and losses' in the income statement.

2.9 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group has been making continuous losses and operating cash outflows since the year ended 31 December 2010. The directors considered that the indicators of impairment to its non-current assets including intangible assets and property, plant and equipment existed at 31 December 2014 and needed to estimate the recoverable amounts of these assets to perform the impairment assessment.

For the intangible assets representing goodwill recognised arising from acquisition of a subsidiary in prior years, the directors considered it was fully impaired at 31 December 2012. No impairment charge was recognised for the year ended 31 December 2014.

For the property, plant and equipment, the directors considered it was unable to perform impairment assessment of its property, plant and equipment at 31 December 2014, due to the loss of substantial accounting records.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2.13 and 2.14).

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits

(a) Pension obligations

The employees of the Group's subsidiaries in the PRC are members of a state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

In addition, the Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. All these contributions are based on a certain percentage of the employee's salary and are charged to the income statement as incurred.

(b) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods

The Group manufactures and sells a range of wine products. Sales of goods are recognised when a group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity 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. As at 31 December 2014, The Group does not use any derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency which is not the entity's functional currency.

There is no material foreign exchange risk noted for the Group as:

(a) the transactions of the Company are mainly denominated in HK$, which is the functional currency of the Company, and

(b) the operations and customers of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi, which is the functional currency of the Group's subsidiaries.

(ii) Fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2014 and 2013, the Group's borrowing at fixed rate was denominated in the RMB.

As the Group has no significant interest-bearing assets and liabilities, other than bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group's customer base is diversified and does not include any external customer with whom transactions have exceeded 10% of the Group's revenues. The carrying amount of bank deposit, trade receivables, other receivables included in the consolidated balance sheets represented the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

The Group mitigates its exposure to credit risk by placing deposits with stated-owned banks in the PRC and other financial institutions with established credit rating.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group finance. Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

At the reporting date, the Group held cash and cash equivalents of HK$134,445,000 (2013: HK$196,935,000) (Note 19) and trade receivables of HK$150,830,000 (2013: HK$192,545,000) (Note 17) that are expected to readily generate cash inflows for managing liquidity risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year or on demand	
	2014	2013
	HK$'000	*HK$'000*
Group		
At 31 December		
Borrowings	**53,110**	91,585
Trade and other payables *(Note (a))*	**467,086**	447,844
	520,196	539,429

Note:

(a) Trade and other payables did not include advance from customer, payroll payable, amounts due to Tsinlien, other tax payables and deposits.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group has minimal capital risk.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) and trade and other payables excluding advance from customer, payroll payable, amounts due to Tsinlien, other tax payables and deposits, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management *(continued)*

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 **HK$'000**	2013 HK$'000
Borrowings *(Note 24)*	**52,449**	89,059
Less: Cash and cash equivalents *(Note 19)*	**(134,445)**	(196,935)
Net debt	**(81,996)**	(107,876)
Total equity	**729,321**	1,129,173
Total capital	**647,325**	1,021,297
Gearing ratio	**-13%**	-11%

3.3 Fair value estimation

The carrying values of the Group's financial assets including cash and cash equivalents, restricted cash, trade receivables, other receivables; and financial liabilities including trade payables, other payables and borrowings, approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Estimated impairment of non-current assets

Investments in associates, leasehold land and land use rights, and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill, in accordance with the accounting policy. Future cash flow estimates which are used to calculate the asset's fair value are discounted using asset specific discount rates and are based on expectations about future operations, primarily comprising estimates about production and sales volumes, market prices of the products and capital expenditures. Estimates are reviewed regularly by management. Changes in such estimates and in particular, deterioration in the market outlook, could impact the recoverable values of these assets, whereby some or all of the carrying amount may be impaired or the impairment charge reduced (if market outlook improves significantly) except for goodwill, with the impact recorded in the statement of income.

(c) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate provisions, management identifies, using their judgement, inventories that are slow moving or obsolete, and considers their physical conditions, age, market conditions and market price for similar items.

(d) Bad debt provision of trade receivables

The Group assesses at the end of each reporting period whether trade receivables have suffered any impairment. The Group recognises impairment losses of trade receivables based on whether the trade receivables could be collected subsequently. If the trade receivables are not collected in a reasonable period subsequently, the Group would recognise the impairment of trade receivables.

5 SEGMENT INFORMATION

In accordance with the Group's internal reporting, management has determined the operating segments to be red wines, white wines and all other products. `

The chief operating decision maker considers the business from product perspective. Management separately considers the red wines and white wines. All other segments primarily relate to the sale of sparkling wines, brandy and icewine.

The key management team assesses the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

	Red wines *HK$'000*	White wines *HK$'000*	All other products *HK$'000*	Total Group *HK$'000*
For the year ended 31 December 2014				
Revenue *(Note (a))*	**529,893**	**133,494**	**5,870**	**669,257**
Gross profit	**13,967**	**33,445**	**2,220**	**49,632**
Provision of inventories	**(42,631)**	**(11,044)**	**530**	**(53,145)**
Depreciation and amortisation	**(31,481)**	**(7,475)**	**(329)**	**(39,285)**
For the year ended 31 December 2013				
Revenue	715,320	151,923	6,457	873,700
Gross profit	81,270	4,570	1,084	86,924
Provision of inventories	(162,862)	(43,065)	(4,317)	(210,244)
Depreciation and amortisation	(30,982)	(6,196)	(263)	(37,441)

Note:

(a) Revenue included sale of wine products to the subsidiaries of Tianjin State Farms Agribusiness Group Co., Ltd. (hereinafter referred to as "Tianjin State Farms"), which amounted to HK$9,503,000 (2013: HK$10,134,000).

5 SEGMENT INFORMATION *(continued)*

A reconciliation of total segment gross profit to total loss before income tax is provided as follows:

	2014	2013
	HK$'000	*HK$'000*
Gross profit for reportable segments	**49,632**	86,924
Other income, gains and losses	**10,228**	2,997
Distribution expenses	**(291,620)**	(411,881)
Administrative expenses	**(162,853)**	(192,822)
Operating loss	**(394,613)**	(514,782)
Finance costs – net	**(1,538)**	(1,971)
Loss before income tax	**(396,151)**	(516,753)

The amounts of total assets and liabilities for each reportable segment are not regularly provided to the chief operating decision maker.

The Group's customer base is diversified and no (2013: nil) external customers with whom transactions have exceeded 10% of the Group's revenues.

The majority of sales are within PRC.

6 EXPENSES BY NATURE

	2014 **HK$'000**	2013 HK$'000
Raw materials and consumables used	**281,065**	415,414
Changes in inventories of finished goods and work in progress	**76,521**	(9,570)
Processing and assembling expenses *(Note (a))*	**24,291**	22,037
Advertising, marketing, and other incidental promotion expenses	**125,788**	220,850
Consumption tax of domestic sales and other taxes	**66,169**	62,040
Employee benefit expense *(Note 7)*		
– salaries, other allowance and benefits	**154,933**	161,144
– defined contribution plans	**15,263**	14,524
Total employee costs including directors' emoluments	**170,196**	175,668
Transportation and storage expenses	**29,714**	37,177
Travelling expenses	**10,937**	14,235
Depreciation and amortisation	**58,904**	57,556
Consultancy and professional fee	**5,871**	11,366
Operating lease payments *(Note (b))*	**24,317**	28,614
Auditors' remuneration	**5,033**	4,943
Provision for impairment in trade and other receivables	**7,687**	2,360
Provision for impairment in inventories	**53,145**	210,244
Other expenses	**134,460**	138,545
Total cost of sales, distribution expenses and administrative expenses	**1,074,098**	1,391,479

Notes:

(a) All of the processing and assembling expenses are the service rendered from the subsidiaries of Tianjin State Farms.

(b) Operating lease payments included rental fees for facilities in relation to the subsidiaries of Tianjin State Farms, which amounted to HK$3,350,000 (2013: HK$3,300,000).

7 EMPLOYEE BENEFIT EXPENSE

	2014 HK$'000	2013 HK$'000
Wages and salaries	**130,596**	136,392
Social security costs – other insurances	**23,300**	23,558
Social security costs – retirement insurance	**15,263**	14,524
Other benefits	**1,037**	1,194
Total employee benefit expense	**170,196**	175,668

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes three (2013: two) directors whose emoluments are reflected in the analysis shown in Note 30. The emoluments payable to the remaining two (2013: three) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**2,283**	2,693
Contributions to retirement benefits scheme	**88**	181
	2,371	2,874

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
Below HK$1,000,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	1
	2	3

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office for the year ended 31 December 2014 (2013: nil).

8 OTHER INCOME, GAINS AND LOSSES

	2014 **HK$'000**	2013 HK$'000
Government grants	**9,336**	3,445
(Loss)/gain on disposal of property, plant and equipment	**(488)**	168
Others	**1,380**	(616)
	10,228	2,997

9 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2014:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Grand Spirit Holdings Limited	British Virgin Islands	Investment holding; Hong Kong	US$200	100	100	–
Smiling East Resources Limited	British Virgin Islands	Investment holding; Hong Kong	US$1	100	100	–
Ho Tin International Co., Ltd.	British Virgin Islands	Investment holding; Hong Kong	US$1	100	100	–
Dynasty Fine Wines (Asia Pacific) Limited	Hong Kong	Trading of wine products; Hong Kong	HK$10,000,000	100	100	–
Sino-French Joint-Venture Dynasty Winery Ltd.	PRC	Manufacturing and sale of wine products; PRC	RMB407,499,000	100	100	–
Shandong Yu Huang Grape Wine Co., Ltd. ("Yuhuang")	PRC	Manufacturing and sale of unprocessed wine; PRC	RMB6,866,812	65	65	35
Tianjin Tianyang Grape Winery Co. Ltd. ("Tianyang")	PRC	Manufacturing and sale of unprocessed wine; PRC	RMB41,532,000	60	60	40
Tianjin Tianyang Grape Winery Sales Co. Ltd. ("Tianyang Sales")	PRC	Sale of wine products; PRC	RMB1,000,000	60	60	40
Shanghai Dynasty Grape Winery Sales Co., Ltd.	PRC	Sale of wine products; PRC	RMB1,000,000	100	100	–
Tianjin Dynasty Winery Sales Co., Ltd.	PRC	Sale of wine products; PRC	HK$50,000,000	100	100	–
Tianjin Dynasty International Winery Ltd.	PRC	Sale of wine products; PRC	RMB50,000,000	100	100	–
Shanghai Dynasty Wine Cellar Co., Ltd. ("Shanghai Cellar")	PRC	Sale of wine products; PRC	RMB6,000,000	51	51	49

9 SUBSIDIARIES *(continued)*

(a) Material non-controlling interests

As of 31 December 2014, the total non-controlling interest is HK$19,512,000 (2013: HK$22,271,000). HK$20,130,000 (2013: HK$20,119,000) of the non-controlling interest is for Tianyang Group (Tianyang, and its wholly owned subsidiary, Tianyang Sales, together as "Tianyang Group") and is attributed to Tianjin Jixian Economic Development Zone Industrial Development Co., Ltd.. The non-controlling interests in respect of Yuhuang and Shanghai Cellar are not material.

Summarised financial information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Tianyang Group	
	2014	2013
	HK$'000	*HK$'000*
Current		
Assets	**51,209**	48,184
Liabilities	**(27,875)**	(27,047)
Total current net assets	**23,334**	21,137
Non-current		
Assets	**28,037**	30,207
Liabilities	**–**	–
Total non-current net assets	**28,037**	30,207
Net assets	**51,371**	51,344

9 SUBSIDIARIES *(continued)*

(a) Material non-controlling interests *(continued)*

Summarised income statement

	Tianyang Group	
	2014	2013
	HK$'000	*HK$'000*
Revenue	**21,202**	14,501
Profit/(loss) before income tax	**270**	(1,250)
Income tax expense	**(47)**	–
Profit/(loss) after income tax	**223**	(1,250)
Other comprehensive loss	**(196)**	1,599
Total comprehensive income/(loss)	**27**	349
Total comprehensive income/(loss) allocated to non-controlling Interests	**11**	140

10 INVESTMENT IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2014. The associate as listed below has share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in an associate as at 31 December 2014 and 2013

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Dynasty Yuma Vineyard (Ning Xia) Co. Ltd. ("Yuma")	PRC/PRC	25	Associate	Equity pick up

As at 31 December 2014, the Group held a 25% equity interest of Dynasty Yuma Vineyard (Ning Xia) Co. Ltd. ("Yuma"), an unlisted company established and operating in the PRC as manufacturer and distributor of unprocessed wines with a paid up capital of RMB40 million.

There are no contingent liabilities relating to the Group's interest in the associate. The carrying amount of the investment has been reduced to zero since 2012.

11 FINANCE COSTS – NET

	2014 HK$'000	2013 HK$'000
Finance income – Interest income	**7,254**	5,889
Finance costs – Interest expense on bank borrowings	**(8,792)**	(7,860)
Finance costs – net	**(1,538)**	(1,971)

12 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

Provision for PRC income tax has been made at the applicable rate on the estimated assessable profit for the year for each of the Group's subsidiaries. The applicable rate is principally 25% (2013: 25%).

	2014 HK$'000	2013 HK$'000
Current tax:		
Current tax on profits for the year	**47**	436
Additional tax charges on prior year taxable income and tax inspection	**–**	36,400
Total current tax	**47**	36,836
Deferred tax:		
Total deferred tax	**–**	–
Income tax expense	**47**	36,836

12 INCOME TAX EXPENSE *(continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014 HK$'000	2013 HK$'000
Loss before income tax	**(396,151)**	(516,753)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(97,568)**	(127,097)
Tax effects of:		
– Expenses not deductible for tax purposes	**34,280**	47,421
– Income not subject to tax	**(5,035)**	(10,190)
– Tax losses for which no deferred income tax asset was recognised	**68,370**	90,302
– Re-measurement of prepaid income tax and annual tax filling difference	**–**	36,400
Tax charge	**47**	36,836

The weighted average applicable tax rate was 25% (2013: 25%).

13 LOSS PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	2014 HK$'000	2013 HK$'000
Loss attributable to owners of the Company	**(393,523)**	(552,459)
Weighted average number of ordinary shares in issue *(thousands)*	**1,248,200**	1,248,200

13 LOSS PER SHARE *(continued)*

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

Trading of the Company's shares were suspended in the stock exchange since 22 March 2013, since then the fair value of ordinary shares did not exceed exercise price of the share option, thus it did not have any dilutive effect. (2013: no dilutive effect).

14 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2014	2013
	HK$'000	*HK$'000*
Cost	**81,052**	80,993
Accumulated amortisation	**(18,814)**	(16,940)
	62,238	64,053
At 1 January	**64,053**	63,609
Amortisation	**(1,574)**	(1,550)
Exchange differences	**(241)**	1,994
At 31 December	**62,238**	64,053

Bank borrowings are secured on land with the carrying amount of nil (2013: HK$43,629,000) (Note 24).

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2013						
Cost	428,349	433,178	137,049	38,736	13,819	1,051,131
Accumulated depreciation	(112,306)	(255,649)	(96,754)	(29,918)	–	(494,627)
Net book amount	316,043	177,529	40,295	8,818	13,819	556,504
Year ended 31 December 2013						
Opening net book amount	316,043	177,529	40,295	8,818	13,819	556,504
Currency translation differences	9,882	5,236	1,133	242	342	16,835
Additions	14	93	3,559	292	3,427	7,385
Disposals	–	(19)	(236)	(580)	–	(835)
Transfer	9,844	440	–	–	(10,284)	–
Depreciation charge	(19,428)	(23,579)	(11,251)	(1,748)	–	(56,006)
Closing net book amount	316,355	159,700	33,500	7,024	7,304	523,883
At 31 December 2013						
Cost	452,008	447,377	138,351	34,307	7,304	1,079,347
Accumulated depreciation	(135,653)	(287,677)	(104,851)	(27,283)	–	(555,464)
Net book amount	316,355	159,700	33,500	7,024	7,304	523,883
Year ended 31 December 2014						
Opening net book amount	**316,355**	**159,700**	**33,500**	**7,024**	**7,304**	**523,883**
Currency translation differences	**(960)**	**(228)**	**(768)**	**(27)**	**(24)**	**(2,007)**
Additions	**–**	**118**	**7,518**	**2,262**	**4,031**	**13,929**
Disposals	**–**	**–**	**(5,803)**	**(380)**	**–**	**(6,183)**
Transfer	**3,919**	**7,392**	**–**	**–**	**(11,311)**	**–**
Depreciation charge	**(21,003)**	**(24,445)**	**(9,364)**	**(2,518)**	**–**	**(57,330)**
Closing net book amount	**298,311**	**142,537**	**25,083**	**6,361**	**–**	**472,292**
At 31 December 2014						
Cost	**454,194**	**452,827**	**134,596**	**34,851**	**–**	**1,076,468**
Accumulated depreciation	**(155,883)**	**(310,290)**	**(109,513)**	**(28,490)**	**–**	**(604,176)**
Net book amount	**298,311**	**142,537**	**25,083**	**6,361**	**–**	**472,292**

Bank borrowings are secured on buildings with the carrying value of nil (2013: HK$208,094,000).

16 GOODWILL

	Goodwill *HK$'000*
At 1 January 2013, 31 December 2013 and 2014	
Cost	9,421
Accumulated impairment	(9,421)
Net book amount	–

Goodwill relates to acquisition of Tianyang Group in prior years, which manufactures raw wines.

The carrying amount of Tianyang Group has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. The goodwill has been fully impaired.

17 TRADE AND OTHER RECEIVABLES

	2014 ***HK$'000***	2013 *HK$'000*
Trade receivables *(Note (a))*	**160,627**	181,100
Notes receivable	**1,392**	22,319
Less: allowance for impairment of trade receivables	**(11,189)**	(10,874)
Trade receivables – net	**150,830**	192,545
Prepayments	**25,200**	44,856
Other receivables *(Note (b))*	**72,440**	62,325
Less: allowance for impairment of other receivables	**(13,579)**	(6,207)
	234,891	293,519
Less: non-current portion: prepayments	**–**	1,569
Current portion	**234,891**	291,950

Note:

(a) As at 31 December 2014, HK$8,220,000 (2013: HK$2,368,000) of trade receivables was due from the subsidiaries of Tianjin State Farms.

17 TRADE AND OTHER RECEIVABLES *(continued)*

The Group grants a credit period of 90 to 180 days to its customers. The ageing analysis of the trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
Up to 3 months	**38,691**	65,932
3 to 6 months	**47,940**	17,885
6 months to 1 year	**37,194**	63,644
1 year to 2 years	**11,148**	28,909
Over 2 years	**25,654**	4,730
	160,627	181,100

As of 31 December 2014, trade receivables of HK$62,807,000 (2013: HK$86,409,000) were past due but not impaired. The ageing analysis of the trade receivables were past due but not impaired is as follows:

	2014 HK$'000	2013 HK$'000
6 months to 1 year	**36,838**	63,644
1 year to 2 years	**11,148**	19,491
Over 2 years	**14,821**	3,274
	62,807	86,409

As of 31 December 2014, trade receivables of HK$11,189,000 were impaired (2013: HK$10,874,000). The amount of the provision was HK$11,189,000 as of 31 December 2014 (2013: HK$10,874,000). The individually impaired receivables mainly relate to wholesalers. The ageing of these receivables is as follows:

	2014 HK$'000	2013 HK$'000
6 months to 1 year	**356**	–
1 year to 2 years	**–**	9,418
Over 2 years	**10,833**	1,456
	11,189	10,874

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi. The fair value of trade receivables approximates their carrying values.

Notes to the Consolidated Financial Statements

17 TRADE AND OTHER RECEIVABLES *(continued)*

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**(10,874)**	(10,539)
Provision for receivables impairment	**(315)**	(335)
At 31 December	**(11,189)**	(10,874)

Movements on the Group's allowance for impairment other receivables are as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**(6,207)**	(4,182)
Provision for receivables impairment	**(7,372)**	(2,025)
At 31 December	**(13,579)**	(6,207)

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement (Note 6).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The ageing analysis of the other receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Up to 3 months	**61,674**	31,852
3 to 6 months	**3,689**	17,349
6 months to 1 year	**10,246**	35,245
1 year to 2 years	**15,261**	18,065
Over 2 years	**6,770**	4,670
	97,640	107,181

Note:

(b) As at 31 December 2014, HK$31,686,000 (2013: HK$25,446,000) of other receivables arising from short term funding provided to a distributor (Note 24).

18 INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**385,894**	407,760
Work in progress	**8,913**	10,045
Finished goods	**503,354**	578,743
Consumables	**39,010**	48,179
Inventory provision write-down	**(263,389)**	(210,244)
	673,782	834,483

According to the issue mentioned in note 2.2, the Group identified significant balance of obsolete inventories, including unsellable finished goods due to quality issue, amounting to HK$244,451,000 during the physical count of inventory balance at 31 December 2014.

As at 31 December 2014, finished goods with cost of HK$244,451,000 (2013: HK$210,244,000) was considered as obsolete, while of HK$1,422,000 (2013: nil) was considered as slow-moving.

Besides, after consideration of the market prices of certain imported wines, a provision of HK$17,516,000 was made by the management to write down the inventory (2013: nil).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$357,586,000 (2013: HK$405,844,000).

19 CASH AND BANK BALANCES

(a) Restricted cash

As at 31 December 2014, HK$9,158,000 (2013: HK$10,225,000) are restricted deposits held at bank for obtaining bank acceptance bill.

(b) Cash and cash equivalents

	2014 HK$'000	2013 HK$'000
Cash at bank at call and on hand	**134,445**	196,935

Cash and bank balances were primarily deposited with banks in the PRC and were principally denominated in Renminbi ("RMB"). The conversion of these RMB denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government.

20 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares *(thousands)*	Share capital *HK$'000*
At 1 January 2013, 31 December 2013 and 31 December 2014	1,248,200	124,820

21 SHARE OPTIONS SCHEME

Pursuant to the resolutions of the shareholders of the Company on 6 December 2004, a share option scheme (the "Scheme") was approved and adopted.

Under the Scheme, the directors may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors pursuant to the relevant listing rules. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share options schemes of the Company shall not exceed 120 million shares, being 10% of the total number of shares in issue as at the date of listing of the Company's shares unless separate approval is obtained.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

21 SHARE OPTIONS SCHEME *(continued)*

Particulars and movements of the options granted are as follows:

Date of grant	Exercisable date	Expiry date	Exercise price	Outstanding as at 1 January 2014	Option expired	Option exercised	Reclassification	Outstanding as at 31 December 2014
			HK$					
Options granted to directors, other than independent non-executive directors								
27 January 2005	17 August 2005	26 January 2015	3	2,500,000	(1,100,000)	–	800,000	2,200,000
01 November 2006	22 May 2007	31 October 2016	3	1,200,000	(1,200,000)	–	–	–
				3,700,000	(2,300,000)	–	800,000	2,200,000
Options granted to employees								
27 January 2005	17 August 2005	26 January 2015	3	6,200,000	(2,800,000)	–	(800,000)	2,600,000
01 November 2006	22 May 2007	31 October 2016	3	200,000	–	–	–	200,000
				6,400,000	(2,800,000)	–	(800,000)	2,800,000
				10,100,000	(5,100,000)	–	–	5,000,000

22 OTHER RESERVES

The Group

	Share premium HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	Employee share-based compensation reserve HK$'000	Reserve fund HK$'000 (Note iii)	Enterprise expansion reserve HK$'000 (Note iii)	Exchange reserve HK$'000	Total HK$'000
As at 1 January 2013	464,464	74,519	3,866	158,928	94,434	369,855	1,166,066
Expiry of share options	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	38,686	38,686
(As at 31 December 2013	464,464	74,519	3,866	158,928	94,434	408,541	1,204,752
Expiry of share options	–	–	(1,953)	–	–	–	(1,953)
Currency translation differences	–	–	–	–	–	(3,570)	(3,570)
(As at 31 December 2014	464,464	74,519	1,913	158,928	94,434	404,971	1,199,229

Notes:

(I) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

(II) MERGER RESERVE

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries that were acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Group reorganisation in preparation for listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(III) RESERVE FUND AND ENTERPRISE EXPANSION RESERVE

According to the Articles of Association of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory financial statements should be transferred to reserve fund and enterprise expansion reserve. The percentage of appropriation may be determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in registered capital. In 2014, there was no net profit for appropriation.

22 OTHER RESERVES *(continued)*

The Company

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
As at 1 January 2013	464,464	3,866	331,286	109,039	908,655
Loss for the year	–	–	–	–	
Expiry of share options	–	–	–	–	
As at 31 December 2013	464,464	3,866	331,286	109,039	908,655
Loss for the year	–	–	–	–	–
Expiry of share options	–	(1,953)	–	–	(1,953)
As at 31 December 2014	464,464	1,913	331,286	109,039	906,702

23 TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables *(Note (b))*	**299,090**	262,366
Advance from customer	**240,511**	168,912
Amounts due to Tsinlien *(Note (a))*	**31,988**	–
Other tax payables	**7,306**	18,381
Payroll payable	**20,733**	47,809
Others	**183,059**	201,721
	782,687	699,189

Notes:

(a) The amounts due to Tsinlien Group Company Limited ("Tsinlien") are the emoluments of certain directors since 2004 who are also directors/senior management of Tianjin State Farms. Both Tsinlien and Tianjin State Farms are owned by State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government ("Tianjin SASAC"). These directors emoluments will be paid to them through Tsinlien.

(b) As at 31 December 2014, HK$65,703,000 (2013: HK$48,735,000) of trade payables was due to the subsidiaries of Tianjin State Farms.

23 TRADE AND OTHER PAYABLES *(continued)*

At 31 December 2014, the ageing analysis of the trade payables based on invoice date was as follows:

	2014 **HK$'000**	2013 *HK$'000*
0-30 days	**90,782**	56,227
31-90 days	**32,204**	76,587
Over 90 days	**176,104**	129,552
	299,090	262,366

24 BORROWINGS

	2014 **HK$'000**	2013 *HK$'000*
Current		
Other borrowings *(Note (a))*	**20,763**	–
Discounted commercial acceptance bills *(Note (b))*	**31,686**	25,446
Bank borrowings *(Note (c))*	**–**	63,613
Total borrowings	**52,449**	89,059

Notes:

(a) In October 2013, Dynasty International and a certain distributor signed a wine distribution agreement of RMB30.67 million. The distributor then paid RMB30 million as down payment. In December 2014, the two parties signed another supplemental agreement and agreed that Dynasty International should repay the down payment equalled to the portion of the goods not distributed as of 9 January 2015 in four instalments in 2015. Dynasty International should also pay interest of 6% per annum for the down payment of the portion of the goods not distributed.

(b) During the year ended 31 December 2014, several commercial acceptance bills amounting HK$57,107,000 (2013: HK$37,500,000) were issued by a distributor to the Company with a maturity period of 6 months. The Company discounted these commercial acceptance bills to a bank and loaned the fundings obtained back to the distributor, totaling HK$57,107,000 (2013: HK$37,500,000) as short-term funding. The rest of the fundings, totaling nil (2013: nil), offset the trade receivable of the distributor. The interest charged on the discounted commercial acceptance bills were born by the distributor. As at 31 December 2014, the outstanding discounted commercial acceptance bills and the corresponding receivable from the distributor amounted to HK$31,686,000 (2013: HK$25,446,000) and were subsequently settled.

(c) Bank borrowings were secured liabilities (bank and collateralised borrowings). Bank borrowings are secured by the land and buildings of a subsidiary of nil (2013: HK$251,723,000). The period of the loans are from 29 August 2013 to 25 August 2014 and 17 September 2013 to 16 September 2014 respectively. The annual fixed interest rate are 6.15% and 5%. (2013: 6.15% and 5%).

25 DEFERRED INCOME TAX

No deferred tax assets or liabilities movement in the year of 2014.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$285,561,000 (2013: HK$198,262,000) in respect of losses and others which primarily temporary differences arising from asset impairment amounting to HK$749,109,000 and HK$416,279,000 respectively (2013: HK$468,584,000 and HK$340,556,000) that can be carried forward against future taxable income. Losses expire details are as below:

	2014	2013
	HK$'000	*HK$'000*
2017	**97,845**	97,845
2018	**370,739**	370,739
2019	**280,525**	–
	749,109	468,584

26 DIVIDENDS

No dividend was paid in 2014 and 2013.

27 CASH USED IN OPERATIONS

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax	**(396,151)**	(516,753)
Adjustments for:		
Interest income *(Note 11)*	**(7,254)**	(5,889)
Finance costs *(Note 11)*	**8,792**	7,860
Depreciation of property, plant and equipment *(Note 15)*	**57,330**	56,006
Amortisation *(Note 14)*	**1,574**	1,550
Loss/(gain) on disposal of property, plant and equipment	**488**	(168)
Provision for impairment in trade and other receivables *(Note 17)*	**7,687**	2,360
Provision for impairment in inventories *(Note 18)*	**53,145**	210,244
Changes in working capital (excluding the effects of currency translation differences on consolidation):		
– Inventories	**107,556**	39,710
– Trade and other receivables	**57,205**	81,734
– Trade and other payables	**83,498**	52,940
Cash used in operations	**(26,130)**	(70,406)

27 CASH USED IN OPERATIONS *(continued)*

Non-cash transactions

The non-cash transactions are the settlements of the discounted commercial acceptance bills by the distributor directly to the bank (Note 24), totalling HK$50,867,000.

28 COMMITMENTS

(a) Capital commitments

There are no capital expenditure contracted for at the end of the year but not yet incurred.

(b) Operating lease commitments – Group company as lessee

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are within 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
	HK$'000	*HK$'000*
No later than 1 year	**22,233**	17,910
Later than 1 year and no later than 5 years	**5,442**	6,435
	27,675	24,345

29 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the year which in the opinion of the directors were conducted in the normal course of the Group's business.

29 RELATED PARTY TRANSACTIONS *(continued)*

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) Key management compensation

Key management includes directors (executive and non-executive), the Company Secretary and the senior management. The compensation paid or payable to key management for employee services is shown below:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**9,892**	10,204
Other long-term benefits	**974**	889
Total	**10,866**	11,093

(b) Sales of goods

	2014	2013
	HK$'000	*HK$'000*
Sales of goods:		
– Subsidiary of Tsinlien	**26**	394

Goods are sold based on the price lists in force and terms that would be available to third parties.

(c) Purchases of goods

	2014	2013
	HK$'000	*HK$'000*
Purchases of goods:		
– Subsidiary of Tsinlien	**4,603**	2,558

Goods are bought from an entity controlled by Tsinlien on normal commercial terms and conditions.

(d) Year-end balances arising from sales/purchases of goods

	2014	2013
	HK$'000	*HK$'000*
Payables to related parties:		
– Subsidiary of Tsinlien	**1,139**	2,315

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

30 BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2014:

	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Share-based payments HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive director							
Mr. Bai Zhisheng *(i)*	–	117	–	26	–	6	149
Mr. Hao Feifei	–	1,400	–	336	–	40	1,776
Mr. Yin Jitai *(ii)*	–	1,488	–	197	–	107	1,792
Mr. Sun Youngjian *(iii)*	–	566	–	3	–	107	676
Mr. Huang Yaqiang *(iv)*	–	499	–	6	–	107	612
Non-executive director							
Mr. Heriard-Dubreuil Francois	360	–	–	–	–	–	360
Ms. Shi Jing	288	–	–	–	–	–	288
Mr. Jean-Marie Laborde	360	–	–	–	–	–	360
Mr. Dong Jingrui *(v)*	162	–	–	–	–	–	162
Mr. Wong Ching Chung	360	–	–	–	–	–	360
Mr. Robert Luc	360	–	–	–	–	–	360
Independent non-executive director							
Dr. Hui Ho Ming, Herbert *(vi)*	239	–	–	–	–	–	239
Mr. Yeung Ting Lap Derek Emory	288	–	–	–	–	–	288
Mr. Sun David Lee	288	–	–	–	–	–	288
Dr. Zhang Guowang *(vii)*	11	–	–	–	–	–	11
	2,716	4,070	–	568	–	367	7,721

Notes:

(i) Resigned on 29 January 2014

(ii) Appointed on 6 June 2014

(iii) Appointed on 13 June 2014

(iv) Resigned on 28 November 2014

(v) Resigned on 13 June 2014

(vi) Passed away on 30 August 2014

(vii) Appointed on 28 November 2014

30 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Directors' emoluments *(continued)*

The remuneration of every director is set out below:

For the year ended 31 December 2013:

	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonus *HK$'000*	Other benefits *HK$'000*	Share-based payments *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive director							
Mr. Bai Zhisheng	–	1,500	–	336	–	75	1,911
Mr. Hao Feifei	–	1,400	–	336	–	70	1,806
Mr. Huang Yaqiang	–	414	–	9	–	94	517
Non-executive director							
Mr. Heriard-Dubreuil Francois	360	–	–	–	–	–	360
Dr. Wang Weidong *(i)*	264	–	–	–	–	–	264
Ms. Shi Jing *(ii)*	24	–	–	–	–	–	24
Mr. Jean-Marie Laborde	360	–	–	–	–	–	360
Mr. Dong Jingrui	360	–	–	–	–	–	360
Mr. Wong Ching Chung	360	–	–	–	–	–	360
Mr. Robert Luc	360	–	–	–	–	–	360
Independent non-executive director							
Dr. Hui Ho Ming, Herbert	360	–	–	–	–	–	360
Mr. Yeung Ting Lap Derek Emory	288	–	–	–	–	–	288
Mr. Sun David Lee	288	–	–	–	–	–	288
	3,024	3,314	–	681	–	239	7,258

Notes:

(i) Resigned on 1 December 2013

(ii) Appointed on 1 December 2013

31 EVENTS AFTER THE REPORTING PERIOD

On 29 November 2017, as approved by the Board of Directors, the Group planned to dispose the chateau and related facilities held by one of its subsidiaries, Sino-French Joint-Venture Dynasty Winery Ltd. at a consideration of RMB400,000,000. As of 31 December 2014, the net book value of the chateau and related facilities was HK$240 million.

Five Years Summary

Following is a summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests in equity of the Group for the last five financial years.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*
Revenue	**669,257**	873,700	1,153,700	1,512,199	1,614,610
(Loss)/profit before income tax	**(396,151)**	(516,753)	(82,861)	10,902	226,320
Income tax expense	**(47)**	(36,836)	(27,238)	(17,003)	(69,259)
(Loss)/profit after income tax	**(396,198)**	(553,589)	(110,099)	(6,101)	157,061
Non-controlling interests	**2,675**	1,130	3,317	2,081	1,747
(Loss)/profit attributable to owners of the Company	**(393,523)**	(552,459)	(106,782)	(4,020)	158,808
Dividends	**–**	–	–	18,723	76,035

CONSOLIDATED ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS IN EQUITY

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)
Non-current assets	**534,530**	589,505	624,676	713,645	703,808
Current assets	**1,055,936**	1,354,421	1,775,904	1,954,794	2,386,940
Current liabilities	**(861,145)**	(814,753)	(757,222)	(914,982)	(1,353,883)
Non-controlling interests in equity	**(19,512)**	(22,271)	(22,683)	(26,000)	(26,789)
Shareholder's equity	**709,809**	1,106,902	1,620,675	1,727,457	1,710,076