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

2016
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 twenty years between 1997 and 2016, 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

	2016 ***HK$'000***	2015 *HK$'000*	Changes
Revenue	**452,181**	627,207	-28%
Gross Profit	**113,357**	128,698	-12%
Loss attributable to owners of the Company	**(100,632)**	(205,551)	-51%

	2016	2015	Changes in percentage point
Gross profit margin	**25%**	21%	4%

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–京東)(P.R.C.)
https://dynasty.world.tmall.com
(王朝葡萄酒旗艦店–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 2016 1,248,200,000 shares
Board lot	2,000 shares

STOCK CODE

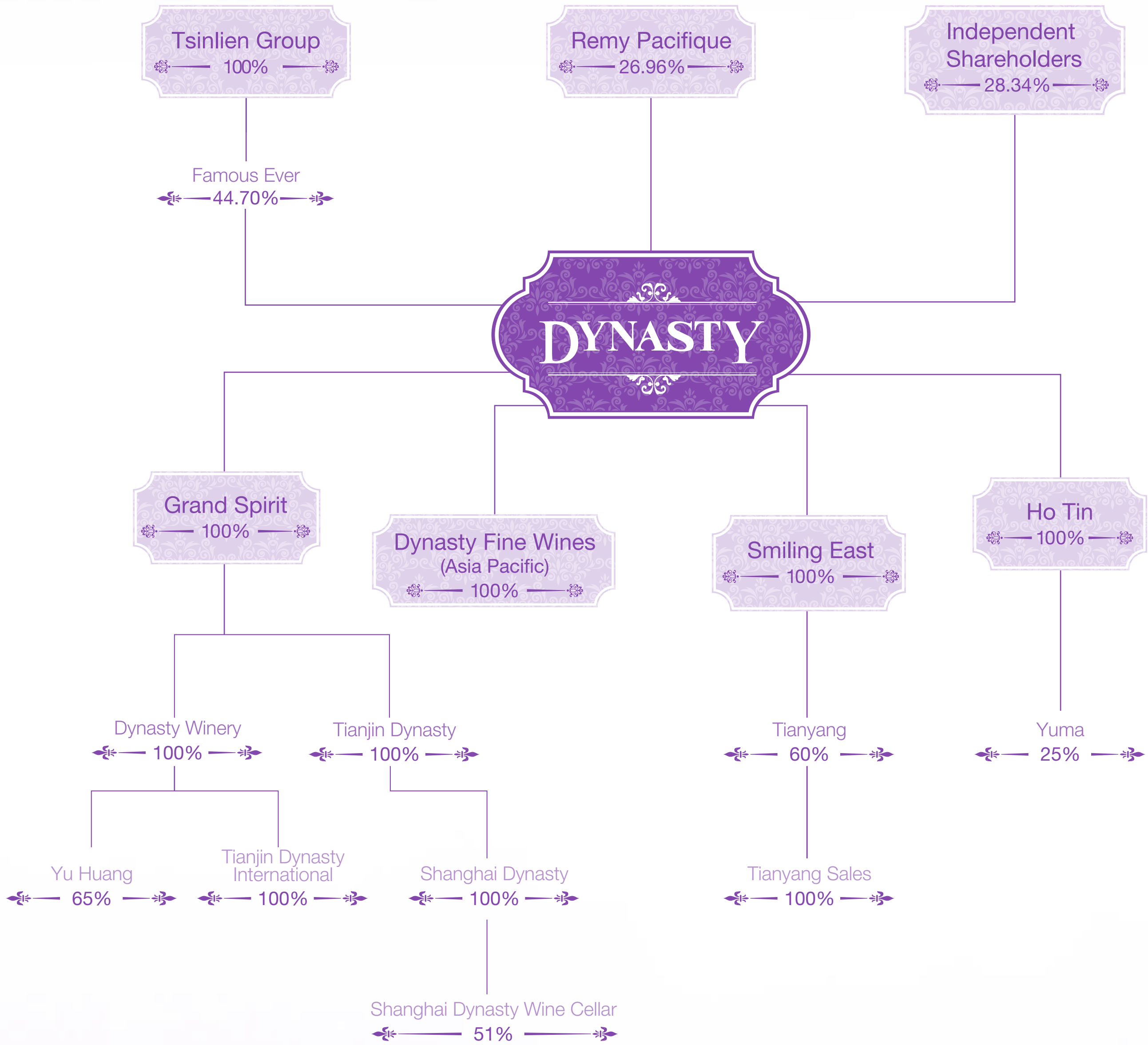
The Stock Exchange of Hong Kong Limited	00828
Reuters	0828.HK
Bloomberg	828:HK

FINANCIAL YEAR-END DATE

31 December

Corporate Structure

(As at 31 December 2016)



Management Discussion and Analysis

RESULTS

The Group's revenue for the year ended 31 December 2016 decreased by 27.9% to HK$452.2 million (2015 – HK$627.2 million) and the Group's loss attributable to owners of the Company declined to HK$100.6 million (2015 – HK$205.6 million), representing a decrease of 51.1%.

Loss per share of the Company was HK8.06 cents per Share (2015 – HK16.47 cents per Share) based on the weighted average number of 1,248 million Shares (2015 – 1,248 million Shares) in issue during the year. There was no potential dilutive share for the year ended 31 December 2016.

The decline in loss attributable to owners of the Company in 2016 was mainly attributable to decrease in administrative expenses. The decrease was due to i) no provision in impairment in property, plant and equipment in 2016; and ii) decrease in depreciation of property, plant and equipment after impairment and staff costs.

BUSINESS REVIEW

Sales analysis

A) Distributorship

Though the decrease in revenue in the year attributable to unsatisfactory sales performance in the nationwide supermarket channel which is one of main off-trade channels of the Group, the Group continues implementing a reform on its sales and distribution model 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 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 26.5 million in 2015 to approximately 20.7 million in 2016. 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 (2015 – 78%).

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. The Group has also extended the sales network to other regional markets.

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 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. 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 about 350 imported products under approximately 100 brands. We believe that with the trend of increasing wealth and the disposable income of consumers, the demand for Dynasty and imported wines should increase. 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 market.

B) Retail shops

To cater for different needs and preferences of our customers, the Group as at 31 December 2016 had 135 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 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, 135 franchised retail shops were opened by the end of the year.

The following table sets out the number of franchised retail shops by regions as at 31 December 2016:

Region	Number of franchised retail shops
South-Central region	80
Eastern region	26
North-West region	1
North-East region	4
Northern region	24
Total	135

C) *Online sales*

The Group has launched an e-commerce business by joining online platforms, Tmall (天貓商城) in 2015 and JD.com (京東商城) in 2016 to further expand our sales channels and develop a new customer base. Customers can place orders via the internet at these websites for Dynasty wines or 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

Looking ahead to 2017, the Group expects to continue to face various challenges, in addition to increasing competition amidst fast-changing economic conditions. Nonetheless, the Group will continue to develop proactively its sales and distributors network especially in regions where it has low market presence and areas of high potential for growth, which will provide a solid foundation for sustainable development in the future.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents proceeds from sale of wine products. The Group's total revenue decreased by 27.9% to approximately HK$452.2 million in 2016 from approximately HK$627.2 million in 2015. The decrease in revenue was mainly attributable to (1) more cautious consuming sentiments amid the impact of economic slowdown in China; (2) unsatisfactory sales performance in the nationwide supermarket channel which is one of main off-trade channels of the Group and (3) impact of imported wines especially low to medium end imported wines which grab the market shares of domestic wines.

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$23.7 per bottle (750ml) in 2015, as a result of shifting the sales mix to low-to-medium end products. 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 impact of provision for impairment in inventories) for the year:

	2016	2015
	%	%
Cost of raw materials		
– Grapes and grape juice	**44**	42
– Yeast and additives	**2**	2
– Packaging materials	**20**	19
– Others	**1**	1
Total cost of raw materials	**67**	64
Manufacturing overheads	**21**	22
Consumption tax and other taxes	**12**	14
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 44% of the Group's total cost of sales, representing an increase of 2% from approximately 42% in 2015, due to the increase in purchase of grapes and grape juice. The total cost of packaging materials to the Group's revenue was stable during the year as compared with 2015.

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 remained stable as compared with 2015.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. The overall gross profit margin slightly increased to 25% in 2016 from 21% in 2015, mainly as a result of the decrease in impact of provision for impairment in inventories.

The gross margin of red wine products and white wine products in 2016 were 24% and 29% respectively (2015 – 19% and 27% respectively).

Management Discussion and Analysis

Other income, gains and losses

Other income, gains and losses for the year ended 31 December 2016 decreased by 67% to HK$2.3 million (2015 – HK$7.0 million), mainly attributable to decrease in write-off of long-aged trade and other payables and advance from customer 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 28% (2015 – 22%) of the Group's revenue. The increase in the percentage was primarily due to continuous increase in investment in brand building, re-adjustment of sales and marketing channels in response to the market change and sustainable development of the Company. In particular, the advertising and market promotion expenses accounted for approximately 6% (2015 – 5%) 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 19% (2015 – 32%). This percentage decreased mainly because of no provision for impairment in property, plants and equipment during the year (2015 – HK$82 million).

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 2016, operating activities were the Group's main source of cash outflow.

The increase in cash used in operating activities from HK$48.4 million in 2015 to HK$66.6 million in 2016 was mainly attributable to increased cash used in changes in working capital and less income tax paid.

Net cash outflow in investing activities amounted to approximately HK$3.0 million (2015 – HK$72.0 million), primarily related to decrease in restricted deposits held at bank for obtaining bank acceptance bill.

Net cash generated from financing activities was primarily attributable to net proceeds from borrowings amount to approximately HK$84.4 million (2015 – HK$73.6 million).

Financial management and treasury policy

As at 31 December 2016, the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). The funding from operation and borrowings was 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 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 2016, the Group's cash and cash equivalents, and fixed deposits amounted to HK$90.7 million (2015 – HK$80.9 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$26.7 million (2015 – HK$-14.4 million) (total borrowings, less cash and cash equivalents), with total equity of the Group amounting to approximately HK$361.2 million (2015 – HK$488.3 million) as at 31 December 2016 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 2016 was 7% (2015 – -3%).

CAPITAL STRUCTURE

The Group had borrowing of HK$117.3 million (2015 – HK$66.5 million) and with cash and liquid position as of HK$90.7 million (2015 – HK$80.9 million) at 31 December 2016, reflecting its intact capital structure. The Group expect its cash with bank facilities to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

As at 31 December 2016, the market capitalisation of the Company was approximately HK$1,797 million (2015 – 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 2016, there are no capital expenditure contracted for at the end of the year but not yet incurred. The Group had no contingent liabilities. Inclusive borrowings are bank borrowings of approximately HK$100.6 million (2015 – HK$47.7 million), which are secured by the land and buildings of a subsidiary of approximately HK$191.6 million (2015 – HK$217.8 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2016, the Group had not made any other material acquisitions or disposal of subsidiaries, associates or joint ventures.

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.

The Group employed a work force of 429 (including directors) (2015: 608) in Hong Kong and the PRC as at 31 December 2016. 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 2016 amounted to approximately HK$131.9 million (2015 – HK$152.1 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the principal risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. The Group will further improve its risk management, closely monitor the following risks and seek to adopt responsive measures.

1. Market risks

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.

2. Commercial risks

The Group is facing various competition by domestic companies in the wine industry, and also finds that an increasing number of imported wines competitors entering the markets. To maintain the Group's competitiveness, the management uses product diversification strategy as well as cost leadership strategy to tackle other competitors.

3. Operational risks

The Group's operations are subject to a broad range of laws and regulations governing various matters. In particular, the continuance of the Group's operations depends upon compliance with applicable environmental, health and safety and other regulations. The in-house lawyer assists in identifying, monitoring and providing support to identify and manage legal risks across the legal and seek external legal advisers as and when appropriate.

4. **Loss of distributors/customers**

   Loss of distributors/customers could adversely affect our business. The Group keeps in close touch with our distributors/customers and markets and focuses effort on delivery high quality wines to them in order to meet their purchase intention and satisfaction.

5. **Loss of key individuals or the inability to attract and retain high-calibre personnel**

   Production of quality wines depends on the expertise and experienced human resources. Loss of key individuals could result in an adverse impact on our operation and profitability. The risk of the loss of key personnel is mitigated by regular reviews of human resource management system, remuneration packages and succession planning within the management team.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is fully aware of the importance of the environmental sustainability throughout its business operations. As a responsible corporation, we strive to ensure minimal environmental impacts by carefully managing our pollutant emissions, energy consumption and water usage level, including the establishment of gas supply equipment, sewage station expansion and other initiatives. The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy, aiming at reducing resources consumption and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

COMPLIANCE WITH LAWS AND REGULATION

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2016, the Group is not aware of any non-compliance of the relevant laws and regulations that have a significant impact on the operations of the Group.

Biography of Directors and Senior Management

As at the date of this annual report, the biography of Directors and senior management is 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 Université 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

Save as disclosed below, none of the directors was aware of any information that would reasonably indicate that the Company was not in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") set out in Appendix 14 of the Listing Rules (the "Code") for the year ended 31 December 2016. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

During the year ended 31 December 2016, the number of independent non-executive directors of the Company fell below one-third of the Board. 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 wine business. However, the Company has yet identified such suitable candidate. As such, the number of independent non-executive directors of the Company cannot represent at least one-third of the Board required under Rule 3.10A of the Listing Rules.

As at 31 December 2016, as additional time is required by the Company to address the issues for the completion of the audit for the consolidated financial statements for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 and to 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, 2013, 2014 and 2015 and for the six-month periods ended 30 June 2013, 2014, 2015 and 2016; (ii) publishing the related annual/interim reports for the years ended 31 December 2012, 2013, 2014 and 2015 and for the six-month periods ended 30 June 2013, 2014, 2015 and 2016; and (iii) convening an annual general meeting for the financial year ended 31 December 2012, 2013, 2014 and 2015.

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 2016.

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 2016.

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 2016, 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. 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 2016.

Corporate Governance Report

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.

The Board has four scheduled meetings a year and meets more frequently as and when required. During the year, five 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 2016 are set out in the table below:

Board Members	Meetings attended/held
Executive Director	
Hao Feifei	5/5
Yin Jitai	5/5
Sun Yongjian	5/5
Non-executive Director	
Heriard-Dubreuil Francois	5/5
Shi Jing	5/5
Jean-Marie Laborde	5/5
Wong Ching Chung	5/5
Robert Luc	5/5
Independent Non-executive Director	
Zhang Guowang	5/5
Yeung Ting Lap Derek Emory	5/5
Sun David Lee	5/5

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 2016, 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 2016 is summarised below:

Name of Directors	Types of training
Executive Directors	
Hao Feifei	B
Yin Jitai	B
Sun Yongjian	B
Non-Executive Directors	
Heriard-Dubreuil Francois	B
Shi Jing	B
Jean-Marie Laborde	B
Wong Ching Chung	B
Robert Luc	B
Independent Non-Executive Directors	
Zhang Guowang	B
Yeung Ting Lap Derek Emory	B
Sun David Lee	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.

Board Diversity Policy

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard to the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

Nomination committee

The Nomination Committee was formed in March 2012 with written terms of reference in compliance with the 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 2016, 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 2016, the Nomination Committee had reviewed the structure, size and composition (including the skills, knowledge and experience) of the board, and proposed no changes to the board. The Board approved the recommendations of the Nomination Committee during the year. Their individual attendance records, on a named basis, during the year ended 31 December 2016 are set out in the table below:

Name of member	Meeting attended/held
Hao Feifei	1/1
Zhang Guowang	1/1
Yeung Ting Lap Derek Emory	1/1
Sun David Lee	1/1

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.

Corporate Governance Report

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 2016, Mr. Hao Feifei as the Chairman led the Board and ensured that all Directors were properly briefed on issues to be discussed at board meetings. Mr. Yin Jitai 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 2016, 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 2016, the Remuneration Committee has reviewed directors' remuneration package, and proposed to maintain current level. The Board has approved the recommendations of the Remuneration Committee during the year. Their individual attendance records, on a named basis, during the year ended 31 December 2016 are set out in the table below:

Name of member	Meeting attended/held
Zhang Guowang	1/1
Sun Yongjian	1/1
Wong Ching Chung	1/1
Yeung Ting Lap Derek Emory	1/1
Sun David Lee	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 2016, the Company did not pay any discretionary bonus to the executive Directors.

The remuneration of member of the senior management (including executive directors) by band for the year ended 31 December 2016 is as follows:

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

Details of the amount of Directors' emoluments during the year ended 31 December 2016 are set out in note 31 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 2016 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 2016. In preparing the financial statements for the year ended 31 December 2016, 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 2017. 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 Investigation

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.

The Audit Committee accepted the factual findings made by EY as documented in the Investigation Report. The Audit Committee also noted the limitations of the internal investigation relating to unavailability of certain records. The Audit Committee has requested the management to seek advice from auditors and/or other professional advisers regarding the observations made by EY, and take steps to address the issues. The Board also expressed its acceptance of the factual findings as documented in the Investigation Report.

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.

In addition to the above, save as the findings shown in the Investigation Report, the Board through the Audit Committee has reviewed the effectiveness of its internal control systems on all major operations of the Group by discussion with management on risk areas identified by management and/or auditors and by appointing advisors to check and review the Group's operations and transactions. The Board and the Audit Committee considered that key areas of the Group's internal control systems are reasonably implemented and the Group has substantially complied with the code provisions of the Code regarding internal control systems in general.

A review of the internal control system of the Group as at 31 December 2016 including the findings shown in the Investigation Report by an internal control advisor was in progress. Further announcement will be made by the Company as and when appropriate.

Internal Audit Function

On 1 January 2016, the Company set up the audit department (serving function of the internal control team) to facilitate the reform of the Company' s procedures. The department is separate and independent of the operation and management system of the Group. The utmost responsible officer for internal control and audit of the Group is the professional staff with internal control and audit experiences.

The Group's internal audit function is performed by an internal audit team, which reports directly to management. The team plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to management on a regular basis.

The team works with the internal control advisor to conduct internal audit reviews on the relevant controls and compliance with policies and procedures of the Group at both operational and corporate levels.

Procedures on identifying, assessing and managing material risks

The Board oversees the risk management of the Group on an ongoing basis. It has conducted an annual review of the effectiveness of the risk management of the Group during the year. The procedures used to identify, assess and manage material risks by the Group are summarised as follows.

Risk Identification

- To identify risks that may potentially affect the Group's business and operations.

Risk Assessment

- To consider the impact on the business and the likelihood of their occurrence.

Risk Response

- To prioritise the risks by comparing the results of the risk assessment; and
- To determine the processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Reports the results of risk monitoring to the management regularly; and
- If found any material risks, immediately reports to the Board and follows up the status of the improvement of the matter.

Information Disclosure Policy

The Company has an information disclosure policy adopted to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules.

The policy regulates the handling and dissemination of inside information, which includes:

- The designated department reports any potential inside information to designated persons;
- Designated persons to determine disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries; and
- Information is non-exclusively and widely disclosed to the public through various ways such as reviewed or audited financial reports, announcements and the Company's website so that its fair disclosure policy is disclosed.

AUDIT COMMITTEE

During the year ended 31 December 2016, 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 risk management and internal controls system, 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 2016 included the following:

i) a review of the draft annual financial statements for the year ended 31 December 2015 and interim financial statements for the period ended 30 June 2016 of the Group;

ii) discussion with the external auditors on progress and any significant audit issues for the financial years ended 31 December 2012 to 2015;

iii) finalise the internal investigation.

During the year ended 31 December 2016, the Audit Committee met two times 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	2/2
Sun David Lee	2/2
Zhang Guowang	2/2

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 2016, 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 2016, 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 below:

Nature of services	Amount *(HK$'000)*
Audit services	4,734
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.

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 2016. 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, 2014, 2015 and 2016.

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 Hennessey Road, Wanchi, 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

The market capitalisation of the Company as at 31 December 2016, the last trading day before suspension of trading on 22 March 2013, was 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 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 16 of the annual report. This discussion forms part of this directors' report.

The analysis of the principal activities of the Group during the financial year are set out in note 9 to the financial statements.

RESULTS AND DIVIDENDS

The financial results of the Group for the year ended 31 December 2016 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 2016.

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 2016 are set out in Note 22 to the financial statements and the balance sheet of the Company respectively.

Directors' Report

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.

BORROWINGS

Details of borrowings of the Group as at 31 December 2016 are set out in note 24 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

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

Executive Directors:

Mr. Sun Jun	(appointed on 1 January 2018)
Mr. Li Guanghe	(appointed on 1 January 2018)
Mr. Hao Feifei	(resigned on 1 January 2018)
Mr. Yin Jitai	(resigned on 1 January 2018)
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

Directors' Report

In accordance with Article 87 of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years.

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 with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

COMPETING BUSINESS

None of the Directors is interested in any businesses which compete or are likely to compete, either directly or indirectly, with the Group's business during the year.

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.

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company or an associate company.

During the year, a Directors and Senior Officers Liability Insurance is in place to provide appropriate cover for the directors and senior management of the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

The particulars of the Directors' and senior management's remuneration and the five highest paid employees during the financial year ended 31 December 2016 are set out in notes 31 and 29 respectively to the financial statements.

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 2016, 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 26,450,000 Shares have been lapsed, cancelled and exercised. The Scheme is expired on 6 December 2014, no further option shall be granted after the date.

(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.

The scheme was expired on 6 December 2014.

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 2016, 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 2016 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 2016, 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 of the Company

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Famous Ever Group Limited *(Note 1)*	Beneficial owner	558,000,000	44.70%
Tsinlien Group Company Limited ("Tsinlien") *(Note 1)*	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 1)*	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 1)*	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 1)*	Interest of a controlled corporation	558,000,000	44.70%
Remy Pacifique Limited *(Note 2)*	Beneficial owner	336,528,000	26.96%
Remy Concord Limited *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau Services S.A.S. *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau S.A. *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%
Orpar S.A. *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%
Andromede S.A. *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%

Notes:

(1) 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.

(2) 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 37.61% 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 14.81% 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 2016, 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	6%
– five largest customers in aggregate	26%

Purchases

– the largest supplier	15%
– five largest suppliers in aggregate	53%

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.

CORPORATE GOVERNANCE

In respect of the year ended 31 December 2016, save as disclosed in the Corporate Governance Report on pages 22 to 35 of the annual report, all the code provisions set out in the Code (as defined in the Corporate Governance Report) were met by the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence in relation to the year ended 31 December 2016 pursuant to Rule 3.13 of the Listing Rules and considers all the Independent non-executive Directors to be independent.

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. Sun Jun
Chairman

Hong Kong, 15 February 2018

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)

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Dynasty Fine Wines Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 107, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our qualified opinion

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Due to the loss of substantial accounting records and supporting documents in relation to sales transactions, discrepancies in inventories as well as recognition and classification of selling expenses for the year ended 31 December 2014 and prior years, we were not able to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether any adjustments to the related receivable, payable balances and retained earnings as at 1 January 2015 were necessary. Since these opening balances of the consolidated balance sheet affect the determination of the Group's financial performance and cash flows, we were unable to determine whether adjustments to the consolidated income statement and consolidated cash flows statement for the year ended 31 December 2015 were necessary.

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

The directors carried out an impairment assessment of its property, plant and equipment at 31 December 2015 and recognised HK$82,317,000 as an impairment charge to the consolidated income statement for the year ended 31 December 2015. Since there had been indicators of impairment for the Group’s property, plant and equipment in the past years, the directors believed that the impairment might have happened in and/or prior to 2015. However, the directors were not able to quantify the impact of the appropriate impairment charges that should be recorded in and prior to 2015 due to the loss of the relevant records and documents. There were no alternative audit procedures that we could perform to enable us to determine the amount of adjustment, if any, to the impairment provision charged to the Group’s consolidated income statement for the year ended 31 December 2015.

Because of the abovementioned scope of limitations encountered, we issued a qualified opinion on the consolidated financial statements of the Group as at and for the year ended 31 December 2015. These scope limitations remained unresolved up to date of this report. Our opinion on the consolidated financial statements of the Group as at and for the year ended 31 December 2016 is also qualified because of the possible effect of these matters on the comparability of certain current period’s figures and the corresponding figures of the consolidated income statement and consolidated cash flows statement.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Revenue Recognition: Sales of goods
- Inventory Provisions

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition: Sales of goods *Refer to Note 2.22 and Note 5 to the consolidated financial statements.* During the year ended 31 December 2016, the Group has recognised revenue from sales of goods amounted to HKD 452 million. Revenue is recognised when the amounts of revenue are reliably measured and the risks and rewards of the underlying products have been transferred to the customers. We focused on this area due to the huge volume of revenue transactions generated from sales of numerous kinds of products to a large number of customers and the relative significance of our audit effort on the revenue recognition in relation to sales of goods.	We sample tested revenue recorded by examining the relevant supporting documents, including customer orders, sales contracts, goods delivery notes and customer's receipt notes. In addition, we confirmed customers' balances and transactions on a sample basis. We also performed company background search of the customers on a sample basis to evaluate the background of customers and business relationships between customers and the Group. We interviewed customers on a sample basis to verbally confirm the terms of sales contracts, including the delivery and payment terms. Furthermore, we checked sales transactions that took place shortly before and after the balance sheet date on a sample basis to assess whether the revenue was recognised in the correct reporting periods by checking the goods delivery notes and customers' receipts. Based on our audit procedures, we found the Group's revenue recognition in relation to sales of goods was supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory Provisions *Refer to Note 2.12 and Note 18 to the consolidated financial statements* At 31 December 2016, the Group held inventories amounted to HKD 766 million, against which a provision of HKD 261 million was made. Inventories are carried at the lower of cost and net realisable value (NRV) in the consolidated financial statements. We focused on this area due to the magnitude of inventory provision balances and the significant judgements involved in assessing the appropriate level of inventory provisions. Such judgements mainly include estimation in determining the NRV of the inventories used by the management, including the estimated selling price of individual products, the historical experience and expectation of future sales based on current market conditions and available information.	We attended the inventory counting of the Group to observe the condition of the inventories. We checked the production date of inventories as appear in the packages to counting record on sample basis and agreed the production date in counting record to the assessment used by management to estimate the inventory provisions on a sample basis. We evaluated the key assumptions used in estimation of the NRV of different products by reference to estimated selling price and historical sales data on a sample basis and discussion with operational and sales departments. We assessed the appropriateness of the Group’s inventory provisioning policy with respect to the inventories by category based on production date together with the historical sales records and actual sales data in the subsequent period which reflected the expected saleability of the products. We checked the mathematical accuracy of the calculations of inventory provisions based on the Group’s provisioning policy. Based on the procedures performed, we considered the key judgements used in management’s assessment of inventory provision was supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion section of our report, we have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 February 2018

Consolidated Income Statement

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Revenue	5	**452,181**	627,207
Cost of sales	6	**(338,824)**	(498,509)
Gross profit		**113,357**	128,698
Distribution expenses	6	**(125,316)**	(139,046)
Administrative expenses	6	**(87,457)**	(202,968)
Other income, gains and losses	8	**2,329**	7,000
Operating loss		**(97,087)**	(206,316)
Finance income	11	**954**	5,004
Finance costs	11	**(5,107)**	(5,637)
Finance costs – net	11	**(4,153)**	(633)
Loss before income tax		**(101,240)**	(206,949)
Income tax credit/(expense)	12	**304**	(18)
Loss for the year		**(100,936)**	(206,967)
Loss attributable to:			
Owners of the Company		**(100,632)**	(205,551)
Non-controlling interests		**(304)**	(1,416)
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	**(8.06)**	(16.47)

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 2016

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(100,936)**	(206,967)
Other comprehensive loss:		
Currency translation differences	**(26,141)**	(34,046)
Total comprehensive loss for the year	**(127,077)**	(241,013)
Attributable to:		
– Owners of the Company	**(125,702)**	(238,444)
– Non-controlling interests	**(1,375)**	(2,569)

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

Consolidated Balance Sheet

As at 31 December 2016

		As at 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment	*15*	**272,170**	317,788
Leasehold land and land use rights	*14*	**52,095**	57,119
Goodwill	*16*	**–**	–
Investment in an associate	*10*	**–**	–
Deferred income tax assets	*25*	**–**	–
		324,265	374,907
Current assets			
Trade receivables	*17*	**51,311**	97,579
Other receivables, deposits and prepayments	*17*	**39,138**	59,985
Inventories	*18*	**504,367**	587,647
Restricted cash	*19*	**733**	34,051
Cash and cash equivalents	*19*	**90,675**	80,891
		686,224	860,153
Total assets		**1,010,489**	1,235,060
Equity			
Equity attributable to owners of the Company:			
Share capital	*20*	**124,820**	124,820
Other reserves	*22*	**1,139,353**	1,164,499
Accumulated losses		**(918,510)**	(817,954)
		345,663	471,365
Non-controlling interests		**15,568**	16,943
Total equity		**361,231**	488,308

Consolidated Balance Sheet

As at 31 December 2016

		As at 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Liabilities			
Current liabilities			
Trade payables	*23*	**210,424**	326,104
Other payables and accruals	*23*	**321,499**	354,121
Borrowings	*24*	**117,318**	66,527
Current income tax liabilities		**17**	–
		649,258	746,752
Total liabilities		**649,258**	746,752
Total equity and liabilities		**1,010,489**	1,235,060

The financial statements on pages 52 to 107 were approved by the Board of Directors on 15 February 2018 and were signed on its behalf

Sun Jun
Director

Li Guanghe
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company					
Balance at 1 January 2015		124,820	1,199,229	(614,240)	709,809	19,512	729,321
Comprehensive loss							
Loss for the year		–	–	(205,551)	(205,551)	(1,416)	(206,967)
Other comprehensive loss							
Currency translation differences		–	(32,893)	–	(32,893)	(1,153)	(34,046)
Total comprehensive loss		–	(32,893)	(205,551)	(238,444)	(2,569)	(241,013)
Transactions with owners in their capacity as owners							
Shares expired under share options scheme	21, 22	–	(1,837)	1,837	–	–	–
Balance at 31 December 2015		124,820	1,164,499	(817,954)	471,365	16,943	488,308

	Note	**Share capital HK$'000**	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
		Attributable to owners of the Company					
Balance at 1 January 2016		**124,820**	**1,164,499**	**(817,954)**	**471,365**	**16,943**	**488,308**
Comprehensive loss							
Loss for the year		**–**	**–**	**(100,632)**	**(100,632)**	**(304)**	**(100,936)**
Other comprehensive loss							
Currency translation differences		**–**	**(25,070)**	**–**	**(25,070)**	**(1,071)**	**(26,141)**
Total comprehensive loss		**–**	**(25,070)**	**(100,632)**	**(125,702)**	**(1,375)**	**(127,077)**
Transactions with owners in their capacity as owners							
Shares expired under share options scheme	21, 22	**–**	**(76)**	**76**	**–**	**–**	**–**
Balance at 31 December 2016		**124,820**	**1,139,353**	**(918,510)**	**345,663**	**15,568**	**361,231**

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 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash used in operations	*27*	**(67,851)**	(31,001)
Interest received		**954**	5,004
Refund of income tax		**327**	3,660
Income tax paid		**(6)**	(26,027)
Net cash used in operating activities		**(66,576)**	(48,364)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,718)**	(2,017)
Restricted bank deposits		**33,318**	(24,893)
Proceeds from disposal of fixed assets		**53**	74
Amounts remitted to a distributor		**(34,642)**	(45,203)
Net cash used in investing activities		**(2,989)**	(72,039)
Cash flows from financing activities			
Proceeds from borrowings		**138,568**	101,476
Repayments of borrowings		**(49,090)**	(22,230)
Interest paid		**(5,107)**	(5,637)
Net cash generated from financing activities		**84,371**	73,609
Net increase/(decrease) in cash and cash equivalents		**14,806**	(46,794)
Cash and cash equivalents at beginning of year		**80,891**	134,445
Exchange losses on cash and cash equivalents		**(5,022)**	(6,760)
Cash and cash equivalents at end of year		**90,675**	80,891

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

Dynasty Fine Wine Group Limited ("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 activities of the Company are investment holding and trading of wine products. The principal activities of the subsidiaries are stated in Note 9.

The shares of the Company were listed on the Main Board of the Hong Kong 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 15 February 2018.

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 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 2016:

* Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11
* Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38
* Annual improvements to HKFRSs 2012 – 2014 cycle, and
* Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) 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 2016 and have not been applied in preparing these consolidated financial statements. 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'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

HKFRS 9, 'Financial instruments' (continued)

Impact

The Group classifies its financial assets as loans and receivables and does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

Based on the assessments undertaken to date, the Group does not expect any significant increase or decrease in the loss allowance in relation to loans and receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect any significant impact on the Group's financial statements.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

HKFRS 16, 'leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$13,317,000. HK$4,160,000 of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Subsidiaries

2.3.1 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)*

2.3 Subsidiaries *(continued)*

2.3.1 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.

2.3.2 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.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Associates *(continued)*

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.

2.5 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.

2.6 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(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)*

2.7 Property, plant and equipment

Buildings comprise mainly factories, offices and a chateau. 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 (Note 2.9).

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.

2.8 Intangible assets

(a) 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)*

2.8 Intangible assets *(continued)*

(a) 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.

2.9 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.

2.10 Financial assets

2.10.1 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held– to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. See Note 2.10.2 for further information about the Group's accounting for trade receivables and Note 2.11 for a description of the Group's impairment policies.

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.

2.15 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Borrowings *(continued)*

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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

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.

2.20 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

(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).

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.22 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 occur 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

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 2016, 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 2016 and 2015, the Group's borrowings at fixed rate was denominated in the Renminbi.

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. 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$90,675,000 (2015: HK$80,891,000) (Note 19) and trade receivables of HK$51,311,000 (2015: HK$97,579,000) (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	
	2016	2015
	HK$'000	*HK$'000*
Group		
At 31 December		
Borrowings	**118,717**	68,310
Trade and other payables *(Note (a))*	**345,479**	451,467
	464,196	519,777

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 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Borrowings *(Note 24)*	**117,318**	66,527
Less: Cash and cash equivalents *(Note 19)*	**(90,675)**	(80,891)
Net debt	**26,643**	(14,364)
Total equity	**361,231**	488,308
Total capital	**387,874**	473,944
Gearing ratio	**7%**	-3%

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 income statement.

(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 2016				
Revenue *(Note (a))*	**357,523**	**91,282**	**3,376**	**452,181**
Gross profit	**86,704**	**26,415**	**238**	**113,357**
(Provision for)/reversal of impairment in inventories	**(4,974)**	**170**	**(1,271)**	**(6,075)**
Depreciation and amortisation	**(11,338)**	**(2,895)**	**(107)**	**(14,340)**
For the year ended 31 December 2015				
Revenue *(Note (a))*	491,306	131,129	4,772	627,207
Gross profit	91,718	35,502	1,478	128,698
Provision for impairment in inventories	(27,933)	(1,895)	(2,743)	(32,571)
Depreciation and amortisation	(26,807)	(6,790)	(247)	(33,844)

Note:

(a) Revenue included sale of wine products to the subsidiaries of Tianjin Food Group Co., Ltd. (hereinafter referred to as "Tianjin Food Group"), which amounted to HK$9,000 (2015: HK$4,540,000).

5 SEGMENT INFORMATION *(continued)*

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

	2016 **HK$'000**	2015 HK$'000
Gross profit for reportable segments	**113,357**	128,698
Other income, gains and losses	**2,329**	7,000
Distribution expenses	**(125,316)**	(139,046)
Administrative expenses	**(87,457)**	(202,968)
Operating loss	**(97,087)**	(206,316)
Finance cost – net	**(4,153)**	(633)
Loss before income tax	**(101,240)**	(206,949)

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 (2015: 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

	2016 ***HK$'000***	2015 *HK$'000*
Raw materials and consumables used	**155,917**	254,286
Changes in inventories of finished goods and work in progress	**49,972**	8,077
Processing and assembling expenses *(Note (a))*	**18,966**	21,592
Advertising, marketing, and other incidental promotion expenses	**27,631**	28,451
Consumption tax of domestic sales and other taxes	**47,972**	62,605
Employee benefit expense *(Note 7)*		
– salaries, other allowance and benefits	**120,016**	137,769
– defined contribution plans	**11,857**	14,364
Total employee costs including directors' emoluments	**131,873**	152,133
Transportation and storage expenses	**27,693**	35,376
Travelling expenses	**5,138**	7,750
Depreciation and amortisation	**28,742**	51,490
Consultancy and professional fee	**1,517**	4,597
Operating lease payments *(Note (b))*	**6,161**	8,259
Auditors' remuneration	**4,734**	5,437
(Reversal of)/provision for impairment in trade and other receivables	**(2,166)**	3,595
Provision for impairment in inventories	**6,075**	32,571
Provision for impairment in property, plant and equipment	**–**	82,317
Other expenses	**41,372**	81,987
Total cost of sales, distribution expenses and administrative expenses	**551,597**	840,523

Notes:

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

(b) Operating lease payments included rental fees for facilities in relation to the subsidiaries of Tianjin Food Group, which amounted to HK$2,950,000 (2015: HK$3,247,000).

7 EMPLOYEE BENEFIT EXPENSE

	2016 **HK$'000**	2015 HK$'000
Wages and salaries	**102,104**	114,330
Social security costs – other insurances	**17,100**	22,123
Social security costs – retirement insurance	**11,857**	14,364
Other benefits	**812**	1,316
Total employee benefit expense	**131,873**	152,133

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: three) directors whose emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and allowances	**2,357**	2,333
Contributions to retirement benefits scheme	**90**	90
	2,447	2,423

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$2,000,000	**1**	1
	2	2

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 2016 (2015: nil).

8 OTHER INCOME, GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Write-off of long-aged trade and other payables and advance from customer	**72**	3,697
Government grants	**1,665**	1,542
Loss on disposal of property, plant and equipment	**(809)**	(472)
Service fee of chateau	**1,371**	1,120
Others	**30**	1,113
	2,329	7,000

9 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

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 2016, the total non-controlling interest is HK$15,568,000 (2015: HK$16,943,000). HK$17,096,000 (2015: HK$18,294,000) 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	
	2016	2015
	HK$'000	*HK$'000*
Current		
Assets	**51,079**	46,162
Liabilities	**(27,897)**	(23,750)
Total current net assets	**23,182**	22,412
Non-current		
Assets	**20,605**	24,370
Liabilities	**–**	–
Total non-current net assets	**20,605**	24,370
Net assets	**43,787**	46,782

9 SUBSIDIARIES *(continued)*

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

Summarised income statement

	Tianyang Group	
	2016	2015
	HK$'000	*HK$'000*
Revenue	**21,948**	24,773
Profit/(loss) before income tax	**7**	(1,618)
Income tax expense	**(23)**	(18)
Loss from after income tax	**(16)**	(1,636)
Other comprehensive loss	**(2,979)**	(2,953)
Total comprehensive loss	**(2,995)**	(4,589)
Total comprehensive loss allocated to Non-Controlling Interests	**(1,198)**	(1,836)

10 INVESTMENT IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2016. 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 associate as at 31 December 2016 and 2015

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 2016, 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.

Notes to the Consolidated Financial Statements

11 FINANCE COSTS – NET

	2016 **HK$'000**	2015 HK$'000
Finance income – Interest income	**954**	5,004
Finance costs – Interest expense on bank borrowings	**(5,107)**	(5,637)
Finance costs – net	**(4,153)**	(633)

12 INCOME TAX (CREDIT)/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% (2015: 25%).

	2016 **HK$'000**	2015 HK$'000
Current tax:		
Current tax on profits for the year	**23**	18
Annual tax filing difference	**(327)**	–
Total current tax	**(304)**	18
Deferred tax:		
Total deferred tax	**–**	–
Income tax (credit)/expense	**(304)**	18

12 INCOME TAX (CREDIT)/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:

	2016 **HK$'000**	2015 HK$'000
Loss before income tax	**(101,240)**	(206,949)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(25,016)**	(50,342)
Tax effects of:		
– Expenses not deductible for tax purposes	**1,013**	522
– Temporary differences for which no deferred income tax asset were recognised	**(5,119)**	29,460
– Income not subject to tax	**(2,242)**	(9,013)
– Tax losses for which no deferred income tax asset was recognised	**31,387**	29,391
– Annual tax filing difference	**(327)**	–
Tax (credit)/charge	**(304)**	18

The weighted average applicable tax rate was 25% (2015: 24%).

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.

	2016 **HK$'000**	2015 HK$'000
Loss attributable to owners of the Company	**(100,632)**	(205,551)
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. (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
Cost	**71,453**	76,313
Accumulated amortisation	**(19,358)**	(19,194)
	52,095	57,119
At 1 January	**57,119**	62,238
Amortisation	**(1,386)**	(1,526)
Exchange differences	**(3,638)**	(3,593)
At 31 December	**52,095**	57,119

Bank borrowings are secured on land with the carrying amount of HK$37,119,000 (2015: HK$42,881,000) (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 2015						
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
Year ended 31 December 2015						
Opening net book amount	298,311	142,537	25,083	6,361	–	472,292
Currency translation differences	(15,914)	(6,252)	(1,226)	(295)	(8)	(23,695)
Additions	–	169	1,413	171	265	2,018
Disposals	–	(103)	(174)	(269)	–	(546)
Impairment charge	(32,550)	(46,916)	(1,789)	(1,062)	–	(82,317)
Depreciation charge	(18,695)	(22,951)	(7,049)	(1,269)	–	(49,964)
Closing net book amount	231,152	66,484	16,258	3,637	257	317,788
At 31 December 2015						
Cost	427,636	425,974	126,503	30,461	257	1,010,831
Accumulated depreciation and impairment	(196,484)	(359,490)	(110,245)	(26,824)	–	(693,043)
Net book amount	231,152	66,484	16,258	3,637	257	317,788
Year ended 31 December 2016						
Opening net book amount	**231,152**	**66,484**	**16,258**	**3,637**	**257**	**317,788**
Currency translation differences	**(14,260)**	**(3,925)**	**(800)**	**(124)**	**(9)**	**(19,118)**
Additions	**–**	**319**	**1,359**	**17**	**23**	**1,718**
Disposals	**–**	**(23)**	**(668)**	**(403)**	**–**	**(1,094)**
Transfer	**271**	**–**	**–**	**–**	**(271)**	**–**
Write off of impairment due to disposal	**–**	**5**	**148**	**79**	**–**	**232**
Depreciation charge	**(14,509)**	**(9,741)**	**(2,563)**	**(543)**	**–**	**(27,356)**
Closing net book amount	**202,654**	**53,119**	**13,734**	**2,663**	**–**	**272,170**
At 31 December 2016						
Cost	**400,663**	**398,929**	**110,528**	**24,743**	**–**	**934,863**
Accumulated depreciation and impairment	**(198,009)**	**(345,810)**	**(96,794)**	**(22,080)**	**–**	**(662,693)**
Net book amount	**202,654**	**53,119**	**13,734**	**2,663**	**–**	**272,170**

Bank borrowings are secured on buildings with the carrying value of HK$154,435,000 (2015: HK$174,914,000).

Notes to the Consolidated Financial Statements

16 GOODWILL

	Goodwill
	HK$'000
At 1 January 2015, 31 December 2015 and 2016	
Cost	9,421
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

	2016	2015
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**55,597**	104,693
Notes receivable	**12,705**	7,406
Less: allowance for impairment of trade receivables	**(16,991)**	(14,520)
Trade receivables – net	**51,311**	97,579
Prepayments	**2,326**	11,815
Other receivables	**46,018**	62,013
Less: allowance for impairment of other receivables	**(9,206)**	(13,843)
	90,449	157,564

Note:

(a) As at 31 December 2016, HK$450,000 (2015: HK$7,725,000) of trade receivables was due from the subsidiaries of Tianjin Food Group.

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:

	2016	2015
	HK$'000	*HK$'000*
Up to 3 months	**23,621**	54,430
3 to 6 months	**8,433**	15,105
6 months to 1 year	**7,914**	13,828
1 year to 2 years	**7,333**	6,740
Over 2 years	**8,296**	14,590
	55,597	104,693

As of 31 December 2016, trade receivables of HK$6,554,000 (2015: HK$24,115,000) were past due but not impaired. The ageing analysis of the trade receivables were past due but not impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
6 months to 1 year	**5,580**	13,319
1 year to 2 years	**887**	6,405
Over 2 years	**87**	4,391
	6,554	24,115

As of 31 December 2016, trade receivables of HK$16,991,000 were impaired (2015: HK$14,520,000).The amount of the provision was HK$16,991,000 as of 31 December 2016 (2015: HK$14,520,000). The individually impaired receivables mainly relate to wholesalers. The ageing of these receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
Up to 3 months	**3**	2,688
3 to 6 months	**–**	789
6 months to 1 year	**2,334**	509
1 year to 2 years	**6,446**	335
Over 2 years	**8,208**	10,199
	16,991	14,520

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:

	2016 HK$'000	2015 HK$'000
At 1 January	(14,520)	(11,189)
Provision for receivables impairment	(2,471)	(3,331)
At 31 December	(16,991)	(14,520)

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

	2016 HK$'000	2015 HK$'000
At 1 January	(13,843)	(13,579)
Reversal of/(provision for) receivables impairment	4,637	(264)
At 31 December	(9,206)	(13,843)

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:

	2016 HK$'000	2015 HK$'000
Up to 3 months	29,860	41,697
3 to 6 months	731	3,768
6 months to 1 year	133	8,518
1 year to 2 years	3,350	1,205
Over 2 years	14,270	18,640
	48,344	73,828

Note:

(b) As at 31 December 2016, HK$16,760,000 (2015: HK$18,794,000) of other receivables arising from short term funding provided to a distributor (Note 24).

18 INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**293,317**	335,763
Work in progress	**5,170**	8,838
Finished goods	**426,744**	495,352
Consumables	**40,544**	43,654
Inventory provision write-down	**(261,408)**	(295,960)
	504,367	587,647

As at 31 December 2016, finished goods with cost of HK$219,903,000 (2015: HK$237,886,000) was considered as obsolete, while of HK$8,569,000 (2015: HK$5,324,000) was considered as slow-moving.

Besides, after consideration of the market prices of certain imported wines, a provision of HK$32,936,000 was made by the management to write down the inventory (2015: HK$52,750,000).

Inventories recognized as "cost of sales" and "distribution expenses" during the year ended 31 December 2016 amounted to HK$205,889,000 and HK$4,288,000 respectively (2015: HK$262,363,000 and HK$4,746,000).

19 CASH AND BANK BALANCES

(a) Restricted cash

As at 31 December 2016, HK$733,000 (2015: HK$34,051,000) are restricted deposits held at bank for obtaining bank acceptance bill.

(b) Cash and cash equivalents

	2016	2015
	HK$'000	*HK$'000*
Cash at bank at call and on hand	**90,675**	80,891

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 2015, 31 December 2015 and 31 December 2016	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.

Particulars and movements of the options granted are as follows:

Date of grant	Exercisable date	Expiry date	Exercise price *HK$*	Outstanding as at 1 January 2016	Option expired	Option exercised	Outstanding as at 31 December 2016
Options granted to employees							
1 November 2006	22 May 2007	31 October 2016	3	200,000	(200,000)	–	–

22 OTHER RESERVES

	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 2015	464,464	74,519	1,913	158,928	94,434	404,971	1,199,229
Expiry of share option scheme	–	–	(1,837)	–	–	–	(1,837)
Currency translation differences	–	–	–	–	–	(32,893)	(32,893)
As at 31 December 2015	464,464	74,519	76	158,928	94,434	372,078	1,164,499
Expiry of share option scheme	–	–	(76)	–	–	–	(76)
Currency translation differences	–	–	–	–	–	(25,070)	(25,070)
As at 31 December 2016	464,464	74,519	–	158,928	94,434	347,008	1,139,353

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 2016, there was no net profit for appropriation.

23 TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**210,424**	326,104
Advance from customer	**119,802**	153,727
Amounts due to Tsinlien *(Note (b))*	**38,932**	35,460
Payroll payable	**5,861**	17,264
Other tax payables	**11,357**	10,017
Others	**145,547**	137,653
	531,923	680,225

Notes:

(a) As at 31 December 2016, HK$50,499,000 (2015: HK$68,979,000) of trade payables was due to the subsidiaries of Tianjin Food Group.

(b) The amounts due to Tsinlien Group Company Limited ("Tsinlien") are the emoluments of certain directors, who are also directors/senior management of Tianjin Food Group since 2004. Both Tsinlien and Tianjin Food Group 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.

At 31 December 2016, the ageing analysis of the trade payables based on invoice date was as follows:

	2016	2015
	HK$'000	*HK$'000*
0-30 days	**40,866**	97,755
31-90 days	**22,687**	26,733
Over 90 days	**146,871**	201,616
	210,424	326,104

24 BORROWINGS

	2016 HK$'000	2015 HK$'000
Current		
Bank borrowings *(Note (a))*	**100,558**	47,733
Discounted commercial acceptance bills *(Note (b))*	**16,760**	18,794
Total borrowings	**117,318**	66,527

Notes:

(a) Total bank borrowings which are provided by Tianjin Food Group, which are secured liabilities (bank and collateralised borrowings). Bank borrowings amounting to HK$100,558,000 (2015: 47,733,000) are secured by the land and buildings of the subsidiary of HK$191,554,000 (2015: HK$217,795,000). The period of the loan is from 15 January 2016 to 12 July 2017. The annual fixed interest rate is 5.35% (2015: 7%).

(b) During the year ended 31 December 2016, several commercial acceptance bills amounting HK$34,642,000 (2015: HK$52,276,000) 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$34,642,000 (2015: HK$45,203,000) as short-term funding. The rest of the fundings, totaling nil (2015: HK$7,073,000), 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 2016, the outstanding discounted commercial acceptance bills and the corresponding receivable from the distributor amounted to HK$16,760,000 (2015: HK$18,794,000) and were subsequently settled.

25 DEFERRED INCOME TAX

There is no deferred tax assets or liabilities movement in the year of 2016.

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$357,271,000 (2015: HK$342,716,000) in respect of losses and others which primarily temporary differences arising from asset impairment, amounting to HK$999,764,000 and HK$460,009,000 respectively (2015: HK$873,036,000 and HK$527,335,000) that can be carried forward against future taxable income. Losses expire details are as below:

	2016 HK$'000	2015 HK$'000
2017	**97,845**	97,845
2018	**370,739**	370,739
2019	**280,525**	280,525
2020	**123,927**	123,927
2021	**126,728**	–
	999,764	873,036

26 DIVIDENDS

No dividend was declared or paid in 2016 and 2015.

27 CASH USED IN OPERATIONS

	2016 **HK$'000**	2015 HK$'000
Loss before income tax	**(101,240)**	(206,949)
Adjustments for:		
Interest income *(Note 11)*	**(954)**	(5,004)
Finance costs *(Note 11)*	**5,107**	5,637
Depreciation of property, plant and equipment *(Note 15)*	**27,356**	49,964
Amortisation *(Note 14)*	**1,386**	1,526
Loss on disposal of property, plant and equipment	**809**	472
Provision for impairment in trade and other receivables *(Note 17)*	**(2,166)**	3,595
Provision for impairment in inventories	**6,075**	32,571
Provision for impairment in fixed assets *(Note 15)*	**–**	82,317
Changes in working capital (excluding the effects of currency translation differences on consolidation):		
– Inventories	**41,315**	53,564
– Trade and other receivables	**63,190**	53,768
– Trade and other payables	**(108,729)**	(102,462)
Cash used in operations	**(67,851)**	(31,001)

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$36,676,000.

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:

	2016	2015
	HK$'000	*HK$'000*
No later than 1 year	**9,175**	8,167
Later than 1 year and no later than 5 years	**4,142**	5,303
	13,317	13,470

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.

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:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**7,629**	9,599
Other long-term benefits	**267**	736
Total	**7,896**	10,335

29 RELATED PARTY TRANSACTIONS *(continued)*

(b) Purchases of goods

	2016 **HK$'000**	2015 HK$'000
Purchases of goods:		
– Subsidiary of Tsinlien	**1,780**	5,273

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

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

	2016 **HK$'000**	2015 HK$'000
Payables to related parties:		
– Subsidiary of Tsinlien	**1,075**	549

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

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**805**	310
Interests in subsidiaries		**544,587**	550,540
Dividend receivable from subsidiaries		**104,739**	104,739
		650,131	655,589
Current assets			
Trade receivables		**76**	48
Other receivables, deposits and prepayments		**676**	1,461
Inventories		**446**	433
Cash and cash equivalents		**8,385**	13,060
		9,583	15,002
Total assets		**659,714**	670,591
Equity and liabilities			
Capital and reserves attributable to owners of the Company			
Share capital		**124,820**	124,820
Other reserves	*(Note (a))*	**904,789**	904,865
Accumulated losses	*(Note (a))*	**(433,409)**	(418,104)
Total equity		**596,200**	611,581
Liabilities			
Current liabilities			
Trade and other payables and accruals		**16,929**	15,077
Amount due to Tsinlien		**38,932**	35,460
Amount due to subsidiaries		**7,653**	8,473
Total liabilities		**63,514**	59,010
Total equity and liabilities		**659,714**	670,591

The balance sheet of the Company was approved by the Board of Directors on 15 February 2018 and was signed on its behalf

Sun Jun
Director

Li Guanghe
Director

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Balance sheet of the Company *(continued)*

Note (a):

Reserve movement of the Company

	Accumulated losses HK$'000	Other reserves: Share premium HK$'000	Other reserves: Employee share-based compensation reserve HK$'000	Other reserves: Capital reserve HK$'000	Other reserves: Exchange reserve HK$'000
As at 1 January 2015	(309,593)	464,464	1,913	331,286	109,039
Loss for the year	(110,349)	–	–	–	–
Expiry of share options	1,838	–	(1,837)	–	–
As at 31 December 2015	(418,104)	464,464	76	331,286	109,039
Loss for the year	(15,381)	–	–	–	–
Expiry of share options	76	–	(76)	–	–
As at 31 December 2016	**(433,409)**	**464,464**	**–**	**331,286**	**109,039**

31 BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2016:

	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. Hao Feifei	–	1,400	–	336	–	–	1,736
Mr. Yin Jitai	–	1,894	–	337	–	98	2,329
Mr. Sun Yongjian	–	494	–	1	–	98	593
Non-executive director							
Mr. Heriard-Dubreuil Francois	360	–	–	–	–	–	360
Ms. Shi Jing	288	–	–	–	–	–	288
Mr. Jean-Marie Laborde	360	–	–	–	–	–	360
Mr. Wong Ching Chung	360	–	–	–	–	–	360
Mr. Robert Luc	360	–	–	–	–	–	360
Independent non-executive director							
Mr. Yeung Ting Lap Derek Emory	288	–	–	–	–	–	288
Mr. Sun David Lee	288	–	–	–	–	–	288
Dr. Zhang Guowang	120	–	–	–	–	–	120
	2,424	3,788	–	674	–	196	7,082

31 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Directors' emoluments *(continued)*

For the year ended 31 December 2015:

	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. Hao Feifei	–	1,400	–	336	–	–	1,736
Mr. Yin Jitai	–	2,058	–	338	–	110	2,506
Mr. Sun Yongjian	–	682	–	2	–	110	794
Non-executive director							
Mr. Heriard-Dubreuil Francois	360	–	–	–	–	–	360
Ms. Shi Jing	288	–	–	–	–	–	288
Mr. Jean-Marie Laborde	360	–	–	–	–	–	360
Mr. Wong Ching Chung	360	–	–	–	–	–	360
Mr. Robert Luc	360	–	–	–	–	–	360
Independent non-executive director							
Mr. Yeung Ting Lap Derek Emory	288	–	–	–	–	–	288
Mr. Sun David Lee	288	–	–	–	–	–	288
Dr. Zhang Guowang	120	–	–	–	–	–	120
	2,424	4,140	–	676	–	220	7,460

32 EVENTS AFTER THE REPORTING PERIOD AND RELATED FACILITIES

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 2016, the net book value of the chateau and related facilities was HK$192 million.

As of the date of these financial statements, all borrowings in Note 24 have been repaid before the maturity date. The Group has outstanding borrowings totalled RMB100 million. RMB40 million and RMB10 million has been borrowed from China CITIC Bank on 28 September and 9 November 2017 with a period of 1 year, bearing interest of 5.35% per annum. RMB30 million and RMB20 million has been borrowed from China Minsheng Bank on 25 January and 15 June 2017 with a period of 1 year, bearing interest of 5.35% per annum.

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				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**452,181**	627,207	669,257	873,700	1,153,700
Loss before income tax	**(101,240)**	(206,949)	(396,151)	(516,753)	(82,861)
Income tax credit/(expense)	**304**	(18)	(47)	(36,836)	(27,238)
Loss after income tax	**(100,936)**	(206,967)	(396,198)	(553,589)	(110,099)
Non-controlling interests	**(304)**	(1,416)	(2,675)	(1,130)	(3,317)
Loss attributable to owners of the Company	**(100,632)**	(205,551)	(393,523)	(552,459)	(106,782)
Dividends	**–**	–	–	–	–

CONSOLIDATED ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS IN EQUITY

	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**324,265**	374,907	534,530	589,505	624,676
Current assets	**686,224**	860,153	1,055,936	1,354,421	1,775,904
Current liabilities	**(649,258)**	(746,752)	(861,145)	(814,753)	(757,222)
Non-controlling interests in equity	**(15,568)**	(16,943)	(19,512)	(22,271)	(22,683)
Shareholder's equity	**345,663**	471,365	709,809	1,106,902	1,620,675