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

2018 ANNUAL REPORT

Contents

Corporate Profile

Dynasty is a premier winemaker with a long historical 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-two years between 1997 and 2018, 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

	2018 ***HK$'000***	2017 Restated *HK$'000*	Changes
Revenue	**344,933**	383,470	-10%
Gross Profit	**93,056**	87,846	6%
Loss attributable to owners of the Company	**(78,668)**	(133,625)	-41%

	2018	2017	Changes in percentage point
Gross profit margin	**27%**	23%	4%

Corporate Information

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
Unit 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

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

COMPANY WEBSITE

http://www.dynasty-wines.com

ONLINE SALES WEBSITE

https://www.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 2018 1,248,200,000 shares
Board lot	2,000 shares

STOCK CODE

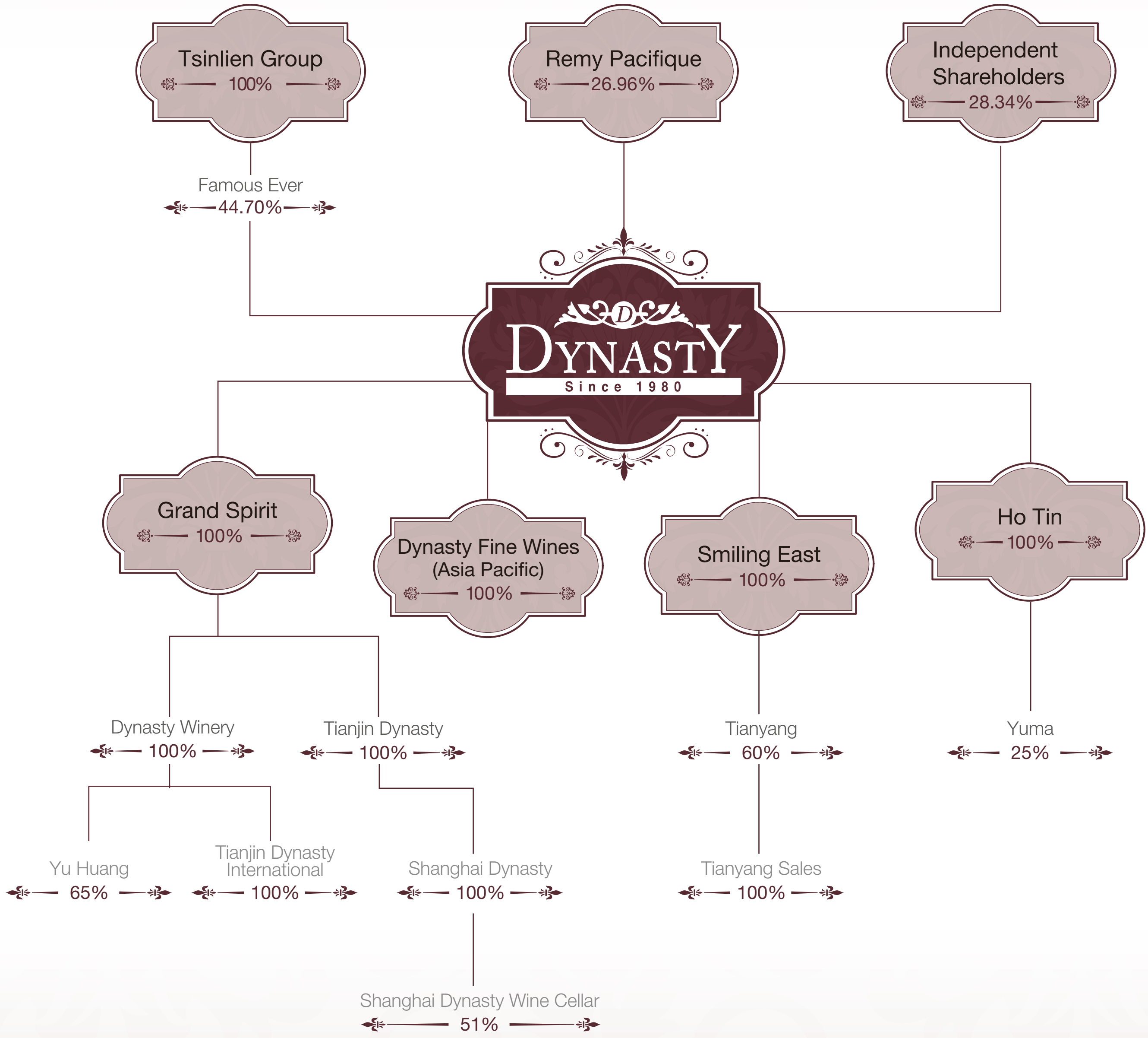
The Stock Exchange of Hong Kong Limited	00828
Reuters	0828.HK
Bloomberg	828:HK

FINANCIAL YEAR-END DATE

31 December

Corporate Structure

As at 31 December 2018



Management Discussion and Analysis

RESULTS

The Group's revenue for the year ended 31 December 2018 decreased by 10% to HK$344.9 million (2017 – HK$383.5 million) and the Group's loss attributable to owners of the Company declined to HK$78.7 million (2017 – HK$133.6 million), representing a decrease of 41%.

Loss per Share was HK6.30 cents per Share (2017 – HK10.71 cents per Share) based on the weighted average number of 1,248 million Shares (2017 – 1,248 million Shares) in issue during the year. There was no potential dilutive Share for the year ended 31 December 2018.

The decline in loss attributable to owners of the Company in 2018 was mainly attributable to the decrease in distribution costs and administrative expenses.

BUSINESS REVIEW

Sales analysis

A) Distributorship

Though the decrease in revenue in the year attributed to unsatisfactory sales performance in the nationwide supermarket channel which is one of main off-trade channels of the Group, the Group continued implementing a reform on its sales and distribution model intending 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) enhancement in the effective management in monitoring and controlling sales and marketing expenses; and (iii) streamlining the existing multi-layered sales and distribution system so as to strengthen the direct control over the sales channels, thereby enhancing efficiency and effectiveness.

The total number of bottles of wine sold decreased from approximately 18.9 million in 2017 to approximately 13.3 million in 2018. Sales of red wines continued to be the Group's primary revenue contributor accounted for approximately 76% of the Group's revenue for the year (2017 – 71%).

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 low-to-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 branded wines mainly imported from France, Italy, Germany, the United States of America, New Zealand, Australia, 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 120 imported products under approximately 30 brands. The Group believes 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) Online sales

Online sales have become more important in the PRC. The Group has operated its online stores on the online platforms, Tmall (天 貓 商 城) and JD.com (京 東 商 城) to further expand its sales channels and develop a new customer base. The Group strategically plans and continues putting resources for future improvement of the online sales channels instead of development of franchised retail shops so as to capture the change of customer consumption behavior in the PRC. Customers can place orders via the internet at these websites for Dynasty wines or the imported wines the Group carry anywhere and anytime. Although the online sales contribution was insignificant during the year, the Group is optimistic about the prospects of the business as research indicates that online trading business in the PRC should grow steadily in the coming years and the PRC 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 the Group 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 successful e-commerce model 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 has more than 10 major grape juice suppliers with whom the Group has 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 the Group's growing business as well as its expanded production capacity is a high priority of the Group. Thus, the Group 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.

Production capacity

In 2018, the Group has production and research and development facilities in its Tianjin winery with its annual production capacity of 70,000 tonnes (equivalent to approximately 93.3 million bottles).

After completion of the Disposal, the Group's annual production capacity is expected to decrease from 70,000 tonnes to 50,000 tonnes. Such expected capacity is sufficient for the Group to promptly response to the market demand and provide a platform for sustainable earnings growth.

Outlook

2019 will continue to be a reform year for Dynasty. Looking ahead to 2019, with the appointment of new management effective from 1 January 2018, the Group will continue to improve its organisational structure, cooperate with distributors, enhance its professionalism in its business management and place focused efforts on enhancing efficiency in order to steadily improve the Group's operating results. Leveraging on the experience in the wine industry, the Group will continue to intensify the reform and explore new sales channels, 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 10% to approximately HK$344.9 million in 2018 from approximately HK$383.5 million in 2017. The decrease in revenue was mainly attributable to the deteriorating operating condition for certain distributors in Eastern and Southeast regions of the PRC during the year.

The Group's average ex-winery sales price of red and white wine products during the year was higher than the average price of HK$20.3 per bottle (750ml) in 2017 as a result of shifting the sales mix to medium-to-high end products. Since consumers in the PRC have a preference for red wines, the Group was 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 cost of sales (before impact of impairment allowance of inventories) for the year:

	2018	2017 Restated
	%	*%*
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	**25**	27
Consumption tax and other taxes	**8**	9
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 2017, due to the increase in purchase price of grapes and grape juice. The total cost of packaging materials to the Group's revenue slightly increased during the year as compared with 2017.

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. Manufacturing overheads as a percentage of cost of sales decreased by 2% during the year as compared with 2017 mainly as a result of the decrease in repair and maintenance costs.

Management Discussion and Analysis

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross sales. The overall gross profit margin increased to 27% in 2018 from 23% in 2017, mainly as a result of decrease in unit production costs.

The gross margin of red wine products and white wine products in 2018 were 26% and 27% respectively (2017 (restated) – 21% and 27% respectively).

Other income, gains and losses – net

Other income, gains and losses mainly comprises of write-off of long-aged trade and other payables, government subsidiaries related to talent training and enterprise development, and service fee income.

Other income, gains and losses for the year ended 31 December 2018 changed to a gain of HK$1.9 million (2017 – loss of HK$4.7 million) mainly because of no stock loss during the year.

Distribution costs

Distribution costs 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 costs accounted for approximately 23% (2017 (restated) – 26%) of the Group's revenue, mainly as a result of the decrease in advertising and market promotion expenses. In particular, the advertising and market promotion expenses accounted for approximately 2% (2017 – 4%) of the Group's revenue. During the year, the Group continued to promote and market its brand and products effectively through a range of joint promotions with 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, impairment allowance and other incidental administrative expenses.

During the year, administrative expenses decreased and accounted for approximately 25% (2017 (restated) – 29%) of the Group's revenue. This percentage decreased mainly because there was no impairment allowance of property, plant and equipment during the year (2017: approximately HK$20 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 increase in income tax expense was because there was more current tax on profit of a subsidiary during the year.

Cash flow

In 2018, operating activities were the Group's main source of cash outflow.

The increase in net cash outflow in operating activities from HK$18.5 million in 2017 to HK$93.1 million in 2018 was mainly attributable to increase in cash used in changes of working capital during the year.

The decrease in net cash outflow in investing activities amounted to approximately HK$1.5 million (2017 – HK$12.8 million) was mainly because no remittance of amount to a distributor during the year.

Increase in net cash generated from financing activities was primarily attributable to increase in net proceeds from borrowings to approximately HK$90.9 million (2017 – HK$24.8 million).

Dividend policy

The payment and the amount of any dividends are subject to the recommendation of the Directors in accordance with the relevant laws, rules and regulations and dependent on inter alia, the Group's operating results, cash requirements and availability, financial position, acquisition opportunities and future prospects.

Financial management and treasury policy

As at 31 December 2018, the Group's revenues, expenses, assets and liabilities were substantially denominated in RMB. The funding from the operation and borrowings was placed on short-term deposits (denominated in RMB or Hong Kong dollars) with authorised financial institutions. The Company also paid dividends in Hong Kong dollars when dividends were declared. The Company did 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, the Group 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 was 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.

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 2018, the Group's cash and cash equivalents, and short-term deposits amounted to HK$81.0 million (2017 – HK$82.1 million). It has sufficient financial support and 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$142.9 million (2017 – HK$63.4 million) (total borrowings less cash and cash equivalents), with total equity of the Group amounting to approximately HK$155.2 million (2017 – HK$245.6 million) as at 31 December 2018 ensuring solvency and the Group's ability to continue as a going concern. The Group's gearing ratio, expressed as a ratio of net debt to total capital (net debt and total equity), as at 31 December 2018 was 48% (2017 – 21%).

Management Discussion and Analysis

CAPITAL STRUCTURE

The Group had borrowing of HK$223.8 million (2017 – HK$145.5 million) and with cash and liquid position as of HK$81.0 million (2017 – HK$82.1 million) as at 31 December 2018, reflecting its intact capital structure. The Group expects its cash with proceeds from disposal of a Chateau and related facilities and financial support from Tianjin Tsinlien Investment Holding Co., Ltd, the ultimate shareholder of the Company's major shareholder to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

As at 31 December 2018, the market capitalisation of the Company was approximately HK$1,797 million (2017 – HK$1,797 million). Trading in the Shares 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 2018, there was no capital expenditure contracted for at the end of the year but not yet incurred and no charges on assets. The Group had contingent liabilities in terms of:

In June 2018, an arbitration was lodged by a supplier against one of the Group's subsidiaries for its non-performance under a raw materials purchasing agreement as signed in November 2015. The matter is currently being considered by the Tianjin Arbitration Commission. The external lawyer as appointed by the Group and the Group's internal legal department consider it to be probable that the judgement will be in favour of the Group and has therefore not recognised a provision in relation to this case. The potential compensation that the Group could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately RMB30 million.

In March 2019, a lawsuit was lodged by a supplier against one of the Group's subsidiaries for its non-performance under a raw wine purchasing supplementary agreement as signed in May 2015. The matter is currently being considered by the Tianjin Beichen District People's Court. The external lawyer as appointed by the Group and the Group's internal legal department consider it has partial possibility that the judgement will be in favour of the Group and has therefore not recognised a provision in relation to this case. The potential compensation that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately RMB0.7 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2018, the Group had not made any other material acquisitions or disposal of subsidiaries, associates or joint ventures. On 23 July 2018, the Tianjin factory formally entered into an Asset Transaction Agreement with the purchaser to dispose the land use right and buildings in relation to the chateau. Please refer to note 20 of these financial statements for details.

EVENT AFTER THE REPORTING PERIOD

As the date of these financial statements, all of the Group's borrowings as at 31 December 2018 (Note 25) have been repaid upon their maturity dates. Subsequent to 31 December 2018, one-year term entrusted bank borrowings of RMB40 million were granted to the Group by the Tianjin Food Group through China Merchants Bank which bore interests at rates ranged from 4.35% to 5.35% per annum. As the date of these financial statements, all of the aforesaid borrowings of RMB40 million had been repaid by the Group.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are the most important assets of the Group. The Group strives to ensure a strong team spirit among its employees so that they identify and contribute in unison to its corporate objectives. To this end, the Group offers competitive remuneration packages commensurate with market practices and industry levels, and provides 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 435 (including directors) (2017 – 448) in Hong Kong and the PRC as at 31 December 2018. 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 2018 amounted to approximately HK$106.2 million (2017 – HK$115.1 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, it continues to strengthen research and development to launch new products or products with distinctive characteristics, such as geographically featured products to diversity product mix.

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 Group's 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 the Group's business. The Group keeps in close touch with its 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 the Group's 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, the Group strives to ensure minimal environmental impacts by carefully managing its 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. Save as disclosed for non-compliance with Rule 3.10A of the Listing Rules non-compliance of Code Provision A1.1 of Appendix of the Code and breach of financial reporting provisions under the Listing rules mentioned in section "Compliance with the Corporate Governance Code and Corporate Governance Report", based on information available, the Directors took the view that during the year ended 31 December 2018, the Group was not aware of any non-compliance of the relevant laws and regulations that had a significant impact on the Group.

Biography of Directors and Senior Management

The biography of Directors and senior management is as follows:

DIRECTORS

Executive Directors

Mr. SUN Jun, aged 49, was appointed as the executive director and the Chairman of the Company in January 2018. Mr. Sun has been Assistant to General Manager and Deputy Chief Accountant of Tianjin Food Group Co. Ltd since 2015, and he held the same positions in Tianjin State Farms Agribusiness Group Co. Ltd. from 2014 to 2015. Being a member of Chinese Institute of Certified Public Accountant and engineer, he holds an Executive Master of Business Administration ("EMBA") degree from Tianjin University of Finance and Economics. In 1991, he graduated from undergraduate programme specialising in economics information in Tianjin Institute of Finance and Economics with a bachelor's degree in economics. After graduation, he worked in Department of Planning and Department of Assets of Tianjin State Administration of Medicine (天津醫藥管理局) from 1991 to 2000. In the following 7 years from 2000 to 2007, he was engaged by Tianjin Pharmaceutical Group (天津醫藥集團) as Deputy Head and subsequently Head of Audit Department and Securities Department, and during which he also acted as General Manager in Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投資擔保有限公司) Then he served as Chief Accountant of Tianjin Zhongxin Pharmaceutical Group Co., Ltd., during which he also studied in EMBA program of Tianjin University of Finance and Economics from 2007 to 2012. He worked as Deputy General Manager and Chief Accountant in Tianjin Zhongxin Pharmaceutical Group Co., Ltd. from 2012 to 2014. Mr. Sun has solid experience in financial accounting and management for over 15 years. He joined the Group in November 2017.

Mr. LI Guanghe, aged 45, was appointed as the executive director and general manager of the Company in January 2018. Mr. Li, of the senior political engineer, has been Head of Corporate Culture Department (Propaganda Department) and Office Director of Informatisation in Tianjin Food Group Co. Ltd. since 2015, mainly responsible for brand building, cultural construction and external publicity work. He held the same positions in Tianjin State Farms Agribusiness Group Co. Ltd. from 2012 to 2015. Since 2012, he has also acted as external supervisor in Tianjin Jia Li He Livestock Co., Ltd. After graduated from Tianjin Agricultural Industrial Business First Polytechnic College (天津農工商第一職業技術學校) specialised in Accounting in 1993, he engaged office work in Tianjin Dazhongzhuang Farm until 1996. Then he worked in Tianjin State Farms Agribusiness Group Co. from 1996 to 2006, during which he studied Economic Management in Tianjin Municipal Party School and also pursued a bachelor's degree in legal profession in Central Party School. During 2006 to 2009, he had been Secretary of Youth League Committee of Tianjin State Farms Agribusiness Group Co. From 2009 to 2012, he was also appointed as Vice Minister of Corporate Culture Department (Propaganda Department), during which he pursued a master's degree in Political Economics in Tianjin Municipal Party School. Mr. Li has solid experience in brand building and management. He joined the Group in November 2017.

Biography of Directors and Senior Management

Mr. SUN Yongjian, aged 48, 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 Joint-Venture 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 70, 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 till December 2017. He has also been the chairman of the supervisory board of Remy Cointreau S.A., a company listed on the Euronext Stock Exchange from December 2000 to September 2004, Chairman of Orpar S.A., the holding company of Remy Cointreau, since December 1997 and director of Oeneo S.A.. 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 and currently the vice-chairman of Remy Cointreau S.A.. He has around 30 years of experience in the wines industry and has held various senior positions within the Remy Cointreau Group, including Chairman of the Remy Martin Group from September 1984 to July 1990. He is chairman of the Fondation INSEAD, France, Member of INSEAD French Council. 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. Jean-Marie LABORDE, aged 70, 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 to September 2013. 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.

Mr. WONG Ching Chung, aged 79, was appointed as a non-executive Director of the Company in August 2004. He has been a director of Dynasty Winery since December 1985. Mr. Wong was the regional managing director of Remy Associes and Maxxium Worldwide B.V. between 1986 and 2002. He was appointed as a director of Remy Cointreau S.A. between 1999 and 2002 and director of Orpar between 2002 and 2005. 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 Officer 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 62, 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 was a former Canadian Certified Public Accountant. Mr. Robert has extensive experience in the wines and spirits industry for over 20 years.

Ms. SHI Jing, aged 48, 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"), 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 Tianjin Tsinlien Investment Holdings Co., Limited, and director of Tsinlien Group Company Limited (major shareholder of the Company). She is also a director of certain subsidiaries of Tianjin Development and Tsinlien Group Company Limited. Ms. Shi 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.

Biography of Directors and Senior Management

Independent non-executive Directors

YEUNG Ting Lap Derek Emory, aged 46, was appointed as an independent non-executive Director of the Company in January 2011. He holds a bachelor 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. 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. Mr. Yeung 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 53, 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 companies 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 59, 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's 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. HO Yiu Sum, aged 43, is the financial controller and company secretary of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of United Kingdom, and an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has a bachelor's degree in accountancy and a master's degree in Corporate Governance in Hong Kong Polytechnic University. Mr. Ho has extensive experience in auditing, company secretarial work and financial management of listed companies. Before joining the Group, he worked in one of international accounting firms.

Corporate Governance Report

The Board 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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 to the Listing Rules for the year ended 31 December 2018. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

During the year ended 31 December 2018 and up to the date of this report, the number of independent non-executive Directors 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. As such, the number of independent non-executive directors could not represent at least one-third the Board required under Rule 3.10A of the Listing Rules.

Only three regular board meetings were held in 2018, thus the number of board meetings was below a minimum required under Code Provision A.1.1 of Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules where the board should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals. However, the management of the Company has kept provided all members of the Board, in a timely manner, updates on any material changes to the performance and position of the Company.

On 15 February 2018, the Company announced the annual results for the year ended 31 December 2016. On 8 June 2018, the Company announced the interim results for the six-month periods ended 30 June 2013, 2014, 2015 and 2016.

Prior to such publication, at the year ended 31 December 2018, 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 2017 and 2018, and to finalise the outstanding results announcements and reports, the Group had 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 year ended 31 December 2016 and 2017 and for the six-month periods ended 30 June 2013, 2014, 2015, 2016, 2017 and 2018; (ii) publishing the related annual/interim reports for the years ended 31 December 2012, 2013, 2014, 2015, 2016 and 2017 and for the six-month periods ended 30 June 2013, 2014, 2015, 2016, 2017 and 2018; and (iii) convening an annual general meeting for the financial years ended 31 December 2012, 2013, 2014, 2015, 2016 and 2017.

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 2018.

Corporate Governance Report

COMPLIANCE WITH THE MODEL CODE FOR 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 for Directors' securities transactions (the "Mode Code"). The Company has made specific enquiry of all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the financial year ended 31 December 2018.

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

For the year ended 31 December 2018, the Board comprised three executive Directors, namely Mr. Sun Jun (Chairman), Mr. Li Guanghe (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. The biographies of the Directors are set out in the "Biography of Directors and Senior Management" section, which demonstrate a diversity of knowledge, skills, experience and qualifications.

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 controlling shareholder of the Company, its subsidiaries and associated companies). Other than as described above, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors and in particular, between Mr. Sun Jun, the chairman and Mr. Li Guanghe, the general manager as at 31 December 2018.

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 Remuneration Committee and 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, three regular board meetings were held, thus the number of board meetings was below a minimum required under Code Provision A.1.1 of Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules where the board should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals. However, the management of the Company has kept provided all members of the Board, in a timely manner, updates on any material changes to the performance and position of the Company. 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 2018 are set out in the table below:

Board Members	Meetings attended/held
Executive Director	
Sun Jun	3/3
Li Guanghe	3/3
Sun Yongjian	3/3
Non-executive Director	
Heriard-Dubreuil Francois	3/3
Shi Jing	3/3
Jean-Marie Laborde	3/3
Wong Ching Chung	3/3
Robert Luc	3/3
Independent Non-executive Director	
Zhang Guowang	3/3
Yeung Ting Lap Derek Emory	3/3
Sun David Lee	3/3

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 provides 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 2018, 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 2018 is summarised below:

Name of Directors	Types of training
Executive Directors	
Sun Jun	A, B
Li Guanghe	A, 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

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 Codes. 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 for 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 Former Code and the New Code (where applicable). The Nomination Committee is responsible for recommending suitable candidates to the Board for Directorship, after considering the independence, skill and competence of the nominees, to ensure that nominations are fair. As at 31 December 2018, the chairman of the Nomination Committee was Mr. Sun Jun, an executive Director and the other members comprised Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee, all being independent non-executive Directors. The independent non-executive Directors constitute the majority of the committee.

During the year ended 31 December 2018, the Nomination Committee had proposed a nomination policy relating to the nomination procedures and the process and criteria to be adopted by the nomination committee to select and recommend candidates for directorship during the year 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 2018 are set out in the table below:

Name of member	Meeting attended/held
Sun Jun	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.

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 2018, Mr. Sun Jun as the Chairman led the Board and ensured that all Directors were properly briefed on issues to be discussed at board meetings. Mr. Li Guanghe 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 has been formed in 2005. As at 31 December 2018, 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. The independent non-executive Directors constitute 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 2018, 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 2018 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, discretionary annual bonus, 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 2018, the Company did not pay any discretionary bonus to the execution Directors.

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

The remuneration of member of the senior management (including executive directors) by band for the year ended 31 December 2018 is as follows:

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

Details of the amount of Directors' emoluments during the year ended 31 December 2018 are set out in note 31 to the financial statements.

ACCOUNTABILITY AND AUDIT

The Board is responsible for the preparation of the financial statements for the financial year ended 31 December 2018 which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2018, 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 Group's cash flow projections, which cover a period of twelve months from 31 December 2018. The Directors are of the opinion that, taking into account i) the receipt of proceeds from the disposal of chateau and related facilities in May 2019, ii) the financial support to the Group from the ultimate shareholder of the Company's major shareholder of twelve months from the date of the report, and iii) a confirmation of a non-request for the Group's repayment of the amounts due by its major shareholder within the next fifteen months from 1 January 2019, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2018. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal controls

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

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

In addition to the above, save as disclosed in note 8 (subnote) to the consolidated financial statements, 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. Management has provided a confirmation to the Audit Committee on the effectiveness of these systems for the year ended 31 December 2018.

Referring to the incident disclosed in litigation announcement dated 8 August 2018 and subsequent internal investigation conducted by Audit Committee, identified deficiencies have been remedied by management by implementing certain internal control measures in different aspects after the incident, In 2019, the internal control adviser performed internal control review of selected cycles for the year of 2018 and identified certain areas for improvement on the Company's internal control procedures relating to revenue and receipts, and inventory management. There was no major internal control issue noted.

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.

Internal Audit Function

In 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 upmost 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 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

- To perform ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place.

- 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

As at 31 December 2018, the audit committee of the Company comprises three independent non-executive Directors who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2018 in conjunction with the Company's auditor and reviewed internal controls of the Group.

In fulfilling its responsibilities, the work of the Audit Committee during the year ended 31 December 2018 included the following:

i) a review of the draft annual financial statements for the year ended 31 December 2017 of the Group prior to recommending them to the Board for discussion;

ii) a review of the draft interim financial statements for the period ended 30 June 2013, 2014, 2015, 2016, 2017 and 2018 of the Group;

iii) a review of the progress results of external audit, and discussion with the external auditors on any key findings on internal control and audit issues; and

iv) a review of the developments of accounting standards in conjunction with the external auditors.

During the year ended 31 December 2018, the Audit Committee met two times together with an executive Director, the financial controller and/or 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

Mr. Ho Yiu Sum, the company secretary of the Company, was responsible directly to the Board. During the year ended 31 December 2018, the company secretary had duly complied with the relevant qualifications, experience and training requirements under the Listing Rules. The biography of the company secretary is set out in the "Biography of Directors and Senior Management" section.

AUDITORS' REMUNERATION

During the year ended 31 December 2018, the remuneration paid/payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group is set out as below:

Nature of services	**Amount** *(HK$'000)*
Audit services	5,840
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 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 2018.

During the year ended 31 December 2018, the Group formally entered into an asset transaction agreement to dispose the land use right and buildings in relation to the chateau. The Disposal was approved by the shareholders of the Company at the extraordinary general meeting (EGM) on 5 December 2018. Individual attendance records of Directors, on a named basis, are set out in the table below:

Board Members	EGM attended/held
Executive Director	
Sun Jun	1/1
Li Guanghe	1/1
Sun Yongjian	1/1
Non-executive Director	
Heriard-Dubreuil Francois	0/1
Shi Jing	1/1
Jean-Marie Laborde	0/1
Wong Ching Chung	1/1
Robert Luc	0/1
Independent Non-executive Director	
Zhang Guowang	1/1
Yeung Ting Lap Derek Emory	1/1
Sun David Lee	1/1

Corporate Governance Report

Shareholder's 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.

Shareholder may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board at the Company at the above mentioned 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 2018, 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 2018.

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 14 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 2018 are set out in the section headed "Consolidated Income Statement" of the annual report.

The Directors did not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2018.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 21 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 2018 are set out in Note 22 to the financial statements and the balance sheet of the Company respectively.

GROUP FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Details of borrowings of the Group as at 31 December 2018 are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or under the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company ("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. Sun Yongjian	
Mr. Hao Feifei	(Resigned on 1 January 2018)
Mr. Yin Jitai	(Resigned on 1 January 2018)

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

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.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, whether directly or indirectly, in any contract of significance to the Group's business to which the Company, its holding company, or any of its subsidiaries or related companies 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 2018 are set out in notes 7 and 32 respectively to the financial statements.

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

None of the Directors, chief executive and their respective associates has any interests in the share options of the Company as beneficial owner.

Save as disclosed above, as at 31 December 2018, none of the Directors, chief executive and their respective associates has 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 by the Company 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 Companies.

Save as disclosed in this report, at no time during the year ended 31 December 2018 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 2018, the interests or short positions of those persons, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

(i) Long position in Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Famous Ever Group Limited *(Note 1)*	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% 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 38% 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 15% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A. is entitled to exercise or control the exercise of 100% of 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 2018, 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 by the Company 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	9.1%
– five largest customers in aggregate	34.4%

Purchases

– the largest supplier	16.7%
– five largest suppliers in aggregate	49.2%

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.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

CORPORATE GOVERNANCE

In respect of the year ended 31 December 2018, save as disclosed in the Corporate Governance Report on pages 19 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 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, 22 July 2019

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)

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 54 to 117, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 opinion

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

BASIS FOR OPINION

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

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

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

Independent Auditor's Report

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.

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

- Revenue recognition
- Impairment allowance of inventories
- Impairment assessment of non-current operating assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Note 2.22 (Summary of significant accounting policies), Note 5 (Segment information) and Note 8 (Other income, gains and losses – net) to the consolidated financial statements.	
The Group recognised revenue from sales of goods amounted to HKD345 million for the year ended 31 December 2018. The Group manufactures and sells a range of wine products. Revenue is recognised when control of the products has been transferred, being when the products were delivered to customers (which are primarily distributors).	Our audit procedures relating to revenue recognition included: • Obtained an understanding of the Group's accounting policy for revenue recognition; • Obtained an understanding and evaluated management's relevant controls over revenue recognition from sales of goods; • Inspected, on a sample basis, the sales contracts with customers to understand key terms and conditions and assessed their implications for revenue recognition;

Key Audit Matter	How our audit addressed the Key Audit Matter
We identified revenue recognition as a key audit matter as significant resources and efforts were involved in auditing this area due to the large volume of transactions from sales of different kinds of products. In addition, the Group had non-standard bill-and-hold arrangements with a single distributor connected with the matters disclosed in the Company's announcement dated 8 August 2018 as detailed in Note 8 to the consolidated financial statements which had implications for revenue recognition.	• Tested revenue transactions, on a sample basis, by examining the relevant supporting documents, including customer orders, sales contracts, goods delivery notes and customers' acknowledgement of receipt notes; • Selected samples of revenue transactions that took place one month before and after the balance sheet date and assessed whether the related revenue was recognised in the appropriate reporting period by checking the related goods delivery notes and customers' acknowledgement of receipt notes; • Confirmed trade receivable balances and revenue transactions with customers on a sample basis; • With respect to the distributor with whom the Group had non-standard arrangements, we have reviewed, with the assistance of our in-house experts, the independent investigation report issued by a professional third party commissioned by the audit committee of the Company, discussed the scope and the findings with the professional third party, conducted an interview with this distributor to understand the circumstances surrounding such bill-and-hold arrangements in order to assess the implications on revenue recognition. We have also evaluated the competence, capabilities and objectivity of the aforesaid professional third party; and • Interviewed other distributors, on a sample basis, to confirm our understanding of the key terms as stipulated in the sales contracts, including the delivery arrangements and payment terms with particular attention on non-standard terms and arrangements which might have implications to revenue recognition. Based on the procedures performed, we found the Group's revenue recognition for sales of goods was supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment allowance of inventories *Refer to Note 2.12 (Summary of significant accounting policies), Note 4.1(c) (Critical accounting estimates), Note 8 (Other income, gains and losses – net) and Note 18 (Inventories) to the consolidated financial statements.*	
Inventories of the Group largely comprise raw materials and finished wine products which are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. An impairment allowance for inventories is recognised where necessary in order to record inventories at their net realisable values. As at 31 December 2018, the carrying value of Group's inventories amounted to HKD337 million, representing cost of HKD567 million less an impairment allowance of HKD230 million. The impairment charges as recognised in the consolidated income statement for the year ended 31 December 2018 amounted to HKD0.8 million. The determination of the impairment allowance for inventories involves significant management judgment and estimates including factors such as historical usage of raw wine, aging profile of raw materials and finished wine products, historical sales track records, forecasted sales volumes, selling prices as well as selling expenses and physical condition.	Our audit procedures relating to management's assessment of the impairment of inventories included: • Obtained an understanding of the Group's accounting policy for determining the impairment allowance of inventories; • Obtained an understanding of and evaluated the relevant management controls and processes in place to estimate the impairment allowance for inventories and to assess inventory obsolescence periodically; • Tested the accuracy of the aging profile of the Group's raw materials and finished wine products by checking samples of purchase/production records and other documents to the inventory records. Examined the historical raw materials usage records and the subsequent actual sales volume data after the year end to evaluate whether slow-moving or over-stocked products has been properly identified; • Observed the physical condition of samples of inventories during attendance of stocktake conducted by management to identify any slow-moving or damaged items; • Evaluated the reasonableness of the assumptions adopted by management in estimating the future selling prices of wine products and the related selling expenses by reference to the historical records and samples of sales transactions after the year end;

Key Audit Matter	How our audit addressed the Key Audit Matter
We identified impairment allowance for inventories as a key audit matter due to the significance of the inventory balance and because significant management judgement and estimates are involved in determining the required level of impairment allowance.	• As detailed in the Company's public announcement dated 8 August 2018 and Note 8 to the consolidated financial statements, a distributor bypassed the established procedures and took finished goods of the Group with carrying amounts of HK$7,182,000. We have reviewed, with the assistance of our in-house experts, the independent investigation report issued by a professional third party commissioned by the audit committee of the Company in this regard, discussed the scope of work and findings with the professional third party, conducted interview with this distributor and the warehouse personnel to understand the circumstances surrounding the instance and assessed the reasonableness of the impairment allowance estimated by management and the appropriate accounting period in which the related losses should be recorded. We have also evaluated the competence, capabilities and objectivity of the aforesaid professional third party; • Obtained the records of inventories stored in the selected warehouses leased from third parties and checked the delivery documents for transactions one month before and after the year end date on a sample basis to identify any unusual movements; • Performed a background search of the warehouses leased from third parties, on a sample basis, to identify if their shareholders were related parties to the distributors of the Company; and • Checked the mathematical accuracy of management's calculations of the impairment allowance for inventories. Based on the procedures performed, we considered the key judgement and estimates as adopted by management in assessing the impairment allowance of inventories were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-current operating assets *Refer to Note 2.9 (Summary of significant accounting policies), Note 4.1 (b) (Critical accounting estimates), Note 14 (Leasehold land and land use rights) and Note 15 (Property, plant and equipment) to the consolidated financial statements.*	
As at 31 December 2018, the carrying amounts of the Group's property, plant and equipment amounted to HKD80 million, representing cost of HKD806 million less accumulated depreciation of HKD630 million and accumulated impairment losses of HKD96 million; and the carrying amounts of the Group's leasehold land and land use rights amounted to HKD18 million, representing cost of HKD27 million less accumulated amortisation of HKD9 million (collectively the "Non-current Operating Assets"). No impairment loss of the Non-current Operating Assets was recognised in the consolidated income statement for the year ended 31 December 2018. Management considered that the Group's continuous losses and operating cash outflows are indicators of impairment of the Non-current Operating Assets and therefore performed an impairment assessment to determine the recoverable amount of the cash-generating unit to which the Non-current Operating Assets belong (the "CGU"). The recoverable amount of the CGU has been determined by management based on the higher of fair value less costs of disposal ("FVLCOD") and value-in-use ("VIU") of the CGU as determined using the discounted cash flow model.	Our audit procedures relating to management's impairment assessment of the Non-current Operating Assets included: • Obtained an understanding of and evaluated the Group's accounting policy for assessing the impairment of non-current assets; • Evaluated the reasonableness of management's determination that the FVLCOD of the CGU was higher than its VIU as at the year end date; • With the support of our in-house experts, examined the FVLCOD model adopted by management in determining the recoverable amount of the CGU and assessed its appropriateness; • Evaluated the factors considered by management in the determination of comparable companies in the market where available public data was used as key parameters including revenue growth rates and applicable discount rate as well as estimated market value of the Group's leasehold land and land use rights adopted in the FVLCOD model;

Key Audit Matter	How our audit addressed the Key Audit Matter
Management's assessment indicated that the FVLCOD of the CGU was higher than its VIU as at 31 December 2018 and therefore adopted FVLCOD as the recoverable amount. As the FVLCOD of the CGU was higher than the carrying amounts of the Non-current Operating Assets as at 31 December 2018, management concluded that no further impairment against such assets was required to be recognised for the year ended 31 December 2018. We identified the impairment assessment of Non-current Operating Assets as a key audit matter due to the significant management judgement and estimates that were involved in determining the recoverable amount. These involved key parameters and inputs including determination of comparable companies in the market, estimated revenue growth rate, discount rate as well as estimated market value of the Group's leasehold land and land use rights.	• Assessed the reasonableness of the above key assumptions by comparing to the historical performance and applicable range of discount rates developed based on the relevant public financial information of the selected comparable companies and other relevant market information available; • Performed sensitivity analysis on the key inputs and parameters to assess the possible impacts to the FVLCOD amount as determined by management; and • Checked the accuracy of inputs and tested the mathematical calculation of the FVLCOD amount. Based on the procedures performed, we considered the key judgement and estimates as adopted by management in the impairment assessment of the Non-current Operating Assets were 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. 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 is 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, 22 July 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 HK$'000	2017 Restated HK$'000
Revenue	5	344,933	383,470
Cost of sales	6	(251,877)	(295,624)
Gross profit		93,056	87,846
Distribution costs	6	(79,629)	(99,449)
Administrative expenses	6	(85,415)	(109,696)
Net impairment losses on financial assets	6	(1,388)	(3,712)
Other income, gains and losses – net	8	1,850	(4,727)
Operating loss		(71,526)	(129,738)
Finance income	11	410	517
Finance costs	11	(8,056)	(6,006)
Finance costs – net	11	(7,646)	(5,489)
Loss before income tax		(79,172)	(135,227)
Income tax expense	12	(71)	(27)
Loss for the year		(79,243)	(135,254)
Loss attributable to:			
Owners of the Company		(78,668)	(133,625)
Non-controlling interests		(575)	(1,629)
		(79,243)	(135,254)
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	(6.30)	(10.71)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
		Restated
	HK$'000	*HK$'000*
Loss for the year	**(79,243)**	(135,254)
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(10,993)**	19,654
Total comprehensive loss for the year	**(90,236)**	(115,600)
Total comprehensive loss for the year is attributable to:		
– Owners of the Company	**(88,966)**	(115,041)
– Non-controlling interests	**(1,270)**	(559)
	(90,236)	(115,600)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2018

	Note	As at 31 December 2018 HK$'000	As at 31 December 2017 Restated HK$'000	1 January 2017 Restated HK$'000
Assets				
Non-current assets				
Property, plant and equipment	*15*	**79,810**	92,085	272,170
Leasehold land and land use rights	*14*	**17,816**	19,169	52,095
Goodwill	*16*	**–**	–	–
Investment in an associate	*10*	**–**	–	–
Deferred income tax assets	*26*	**–**	–	–
		97,626	111,254	324,265
Current assets				
Trade and notes receivables	*17(a)*	**37,318**	61,597	51,311
Other receivables	*17(b)*	**10,575**	12,264	36,812
Prepayments	*17(c)*	**13,298**	1,963	2,326
Inventories	*18*	**337,052**	429,850	504,367
Cash and cash equivalents	*19*	**81,341**	82,510	91,408
		479,584	588,184	686,224
Assets held for sale	*20*	**182,051**	190,805	–
Total assets		**759,261**	890,243	1,010,489
Equity				
Equity attributable to owners of the Company				
Share capital	*21*	**124,820**	124,820	124,820
Other reserves	*22*	**1,147,632**	1,157,937	1,139,353
Accumulated losses		**(1,131,036)**	(1,052,135)	(918,510)
Capital and reserve attributable to owners of the Company		**141,416**	230,622	345,663
Non-controlling interests		**13,739**	15,009	15,568
Total equity		**155,155**	245,631	361,231

Consolidated Balance Sheet

As at 31 December 2018

	Note	As at 31 December 2018 HK$'000	2017 Restated HK$'000	1 January 2017 Restated HK$'000
Liabilities				
Current liabilities				
Trade payables	*23*	**106,030**	162,893	210,424
Contract liabilities	*24*	**83,850**	126,418	119,802
Other payables and accruals	*23*	**190,396**	209,846	201,697
Borrowings	*25*	**223,830**	145,455	117,318
Current income tax liabilities		**–**	–	17
Total liabilities		**604,106**	644,612	649,258
Total equity and liabilities		**759,261**	890,243	1,010,489

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 54 to 117 were approved by the Board of Directors on 22 July 2019 and were signed on its behalf

Sun Jun
Director

Li Guanghe
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company					
	Share capital *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2017	124,820	1,139,353	(918,510)	345,663	15,568	361,231
Comprehensive loss						
Loss for the year	–	–	(133,625)	(133,625)	(1,629)	(135,254)
Other comprehensive income						
Currency translation differences	–	18,584	–	18,584	1,070	19,654
Total comprehensive income/(loss)	–	18,584	(133,625)	(115,041)	(559)	(115,600)
Balance at 31 December 2017	124,820	1,157,937	(1,052,135)	230,622	15,009	245,631

	Attributable to owners of the Company					
	Share capital ***HK$'000***	**Other reserves** ***HK$'000***	**Accumulated losses** ***HK$'000***	**Total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
Balance at 1 January 2018	**124,820**	**1,157,937**	**(1,052,135)**	**230,622**	**15,009**	**245,631**
Adjustment on adoption of HKFRS 9 *(Note 2.2(a))*	**–**	**(7)**	**(233)**	**(240)**	**–**	**(240)**
Restated balance at 1 January 2018	**124,820**	**1,157,930**	**(1,052,368)**	**230,382**	**15,009**	**245,391**
Comprehensive loss						
Loss for the year	**–**	**–**	**(78,668)**	**(78,668)**	**(575)**	**(79,243)**
Other comprehensive loss						
Currency translation differences	**–**	**(10,298)**	**–**	**(10,298)**	**(695)**	**(10,993)**
Total comprehensive loss	**–**	**(10,298)**	**(78,668)**	**(88,966)**	**(1,270)**	**(90,236)**
Balance at 31 December 2018	**124,820**	**1,147,632**	**(1,131,036)**	**141,416**	**13,739**	**155,155**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
		Year ended 31 December	
Cash flows from operating activities			
Cash used in operations	*27(a)*	**(93,469)**	(18,934)
Interest received		**410**	517
Income tax paid		**(41)**	(38)
Net cash outflow from operating activities		**(93,100)**	(18,455)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,405)**	(1,623)
Decrease in restricted bank deposits		**27**	317
Proceeds from disposal of property, plant and equipment		**875**	41
Amounts remitted to a distributor		**–**	(15,588)
Amounts recovered from a distributor		**–**	4,042
Net cash outflow from investing activities		**(1,503)**	(12,811)
Cash flows from financing activities			
Proceeds from borrowings		**216,845**	135,205
Repayments of borrowings		**(119,617)**	(104,600)
Interest paid		**(6,378)**	(5,854)
Net cash inflow from financing activities		**90,850**	24,751
Net decrease in cash and cash equivalents		**(3,753)**	(6,515)
Cash and cash equivalents at beginning of year		**82,094**	90,675
Effects of exchange rate changes on cash and cash equivalents		**2,611**	(2,066)
Cash and cash equivalents at end of year	*19(ii)*	**80,952**	82,094

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

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 Rooms 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 Stock Exchange of Hong Kong Limited ("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 22 July 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(iii) Going concern

As at 31 December 2018, the Group's current liabilities exceeded their current assets by HK$124,522,000. The Group's loss and net cash outflow from operating activities for the year ended 31 December 2018 were HK$79,243,000 and HK$93,100,000 respectively. These indicate there was a significant doubt about the ability of the Group to continue as a going concern. The directors of the Company (the "Directors") have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2018. The Directors are of the opinion that, taking into account the followings, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2018:

- The Group entered into an agreement with Tianjin Yiyang Big Health Small Township Development Co., Ltd., a third party to dispose of a chateau and related facilities (Note 20) at a consideration of RMB400 million and the completion of which is subject to certain administrative registration procedures. The full amount of the consideration has been received on 16 May 2019.

- Tianjin Tsinlien Investment Holding Co., Ltd. (hereinafter referred to as "Tsinlien Investment"), the ultimate shareholder of the Company's major shareholder, has issued a financial support letter to the Company to confirm its intention to provide continuous financial support to the Group to meet its liabilities for a period of twelve months from the date of approval of these consolidated financial statements.

- Tsinlien Investment has also issued a letter to the Company to confirm that the Company's major shareholder, a wholly-owned subsidiary of Tsinlien Investment, will not request for the Group's repayment of the amounts due it of HK$42,404,000 (Note 23(b)) within the next fifteen months from 1 January 2019.

Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments,

- HKFRS 15 Revenue from Contracts with Customers, and

- Annual Improvements 2014-2016 cycle.

The impact of the adoption of these amendment has been stated in Note 2.2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

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 by leasees, 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.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. 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$8,663,000 (Note 28). The Group expects to recognise right-of-use assets of approximately HK$7,983,000 on 1 January 2019, lease liabilities of HK$7,983,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Net current assets will be HK$6,894,000 lower due to the presentation of a portion of the liability as a current liability. The Group expects that net profit after tax will decrease by approximately HK$101,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately HK$7,431,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to the first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the leases liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained in Note 2.2(b) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	31 December 2017 Restated	HKFRS 9	1 January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and notes receivables	61,597	–	–	61,597	(240)	61,357
Other payables and accruals	336,264	–	(126,418)	209,846	–	209,846
Contract liabilities	–	–	126,418	126,418	–	126,418
Current liabilities	397,861	–	–	397,861	(240)	397,621
Reserves	1,157,937	–	–	1,157,937	(7)	1,157,930
Accumulated losses	(1,052,135)	–	–	(1,052,135)	(233)	(1,052,368)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(a) Impact on the financial statements (continued)

Income statement and statement of comprehensive income (extract) 2017	**As originally presented**	**HKFRS 9**	**HKFRS 15**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	383,470	–	–	383,470
Cost of sales	(284,107)	–	(11,517)	(295,624)
Gross profit	99,363	–	(11,517)	87,846
Distribution costs	(110,966)	–	11,517	(99,449)
Administrative expenses	(113,408)	3,712	–	(109,696)
Net impairment losses on financial assets	–	(3,712)	–	(3,712)
Operating loss	(129,738)	–	–	(129,738)

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the impairment allowance of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.11 below. In accordance with the transitional impairment allowance in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's accumulated losses as at 1 January 2018 is as follows:

	2018
	HK$'000
Closing accumulated loss as at 31 December – HKAS 39/HKAS 18	**(1,052,135)**
Increase in impairment allowance for trade receivables	**(233)**
Opening accumulated loss as at 1 January – HKFRS 9 (before restatement for HKFRS 15)	**(1,052,368)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 Financial Instruments (continued)

Adjustments made to line items in the consolidated income statement and the consolidated statement of other comprehensive income for the 2017 reporting period relate to:

	2017 *HK$'000*
Decrease in administrative expenses	3,712
Increase in net impairment losses on financial assets	(3,945)
Increase in operating loss	(233)

(i) Classification and instrument

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Measurement category		Carrying amount		
Current financial assets	**Original (HKAS 39)**	**New (HKFRS 9)**	**Original** *HK$000*	**New** *HK$000*	**Difference** *HK$000*
Trade receivables	Amortised cost	Amortised cost	48,200	47,960	(240)
Notes receivables *(Note)*	Amortised cost	Fair value through other comprehensive income ("FVOCI")	13,397	13,397	–
Other receivables	Amortised cost	Amortised cost	12,264	12,264	–

Note:

Notes receivables where the contractual cash flow were solely principal and interest were reclassified from financial assets at amortised cost to financial assets at FVOCI as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The Group has adopted the HKFRS 9 in accordance with the transitional provisions and the related comparative financial information as at 31 December 2017 has not been restated accordingly. Due to the consideration as set out in Note 17(a)(iii), notes receivables has been presented within "trade and notes receivables" in the balance sheet. These notes receivables are all bank acceptance bills with maturity dates within six months. The fair value of these notes receivables approximate to their carrying amounts due to the short maturities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 Financial Instruments (continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of inventories
- other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables This resulted in an increase of the loss allowance on 1 January 2018 by HK$240,000 for trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017):

	HKAS 18 carrying amount 31 December 2017	Reclassification	Remeasurement	HKFRS 15 carrying amount 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	336,264	(126,418)	–	209,846
Contract liabilities	–	126,418	–	126,418

	HKAS 18 carrying amount 31 December 2016	Reclassification	Remeasurement	HKFRS 15 carrying amount 1 January 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	321,499	(119,802)	–	201,697
Contract liabilities	–	119,802	–	119,802

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(c) *HKFRS 15 Revenue from Contracts with Customers*

(i) Accounting for costs to fulfil a contract

In 2017, costs amounting to HK$11,517,000 related to delivery for the inventories were expensed as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They were therefore capitalised as costs to fulfil a contract following the adoption of HKFRS 15 and reclassified to cost of sales of goods in the income statement in 2017.

(ii) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15 and HKFRS 9:

- Contract liabilities were previously included in other payables and accruals (HK$126,418,000 as at 31 December 2017; HK$119,802,000 as at 1 January 2017).

2.3 Principles of consolidation and equity accounting

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Principles of consolidation and equity accounting *(continued)*

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.4 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.

2.5 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 assessing the financial performance and position of the Group, and makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation

(i) 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 (HK$), which is the Company's presentation and functional currency. The functional currency of the Group's subsidiaries in the PRC is Renminbi.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains/(losses).

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary 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 and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions); and

(c) all resulting exchange 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

–	Buildings	20 years
–	Plant and machinery	10 years
–	Motor vehicles	5 years
–	Leasehold improvements, furniture 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 proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.9. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Leasehold land and land use rights

Leasehold land and land use rights represent the cost of land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating license period, whichever is shorter.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of non-financial assets *(continued)*

The Group has been suffered from continuous losses and operating cash outflows which indicated that the Group's non-current operating assets (including property, plant and equipment and leasehold land and land use rights (collectively the "Non-current Operating Assets")) might be impaired as at 31 December 2018. The Directors of the Company has assessed the recoverable amounts of these Non-Current Operating Assets as at 31 December 2018 and concluded that no provision for impairment on these Non-Current Operating Assets has to be recognised in income statement for the year ended 31 December 2018. The impairment charge as recognised in income statement for the year ended 31 December 2017 was HK$20,013,000 (Note 15).

Regarding the goodwill arisen from the acquisition of a subsidiary in prior years (Note 16), the Directors of the Company had assessed and concluded that it was fully impaired and the full impairment allowance was recognised during the year ended 31 December 2012.

2.10 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale.

Assets classified as held for sale are presented separately from the other assets in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 17 for further details.

(v) Accounting policies applied until 31 December 2017

Up to 31 December 2017, the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. As at 31 December 2017, the Group only has financial assets in the category of “loans and receivables”.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables is subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(v) Accounting policies applied until 31 December 2017 (continued)

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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, 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 profit or loss. If a loan 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 profit or loss. Impairment testing of trade receivables is described in Note 3.1(b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Inventories

Inventories comprise raw materials, work in progress, finished goods and consumables, and are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Inventories of the Group largely comprise raw materials and finished wine products which are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. An impairment allowance for inventories is recognised where necessary in order to record inventories at their net realisable values.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 17 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

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity (Note 21).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment 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 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 reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its 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

Deferred income tax is provided in full, 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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period 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 if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

Current and deferred income tax is recognised in profit or loss, 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.

2.20 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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 maternity leave are not recognised until the time of leave.

(ii) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

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)*

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations 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 can be reliably estimated. 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

The Group manufactures and sells a range of wine products. Revenue is recognised when control of the products has been transferred, being when the products are delivered to customers (which are primarily distributors). Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The wine products are often sold with reimbursement of marketing expenses to the distributors for the sales transactions conducted under the sales arrangements. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated marketing expense. Accumulated experience is used to estimate and provide for the marketing expense, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.24 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 the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

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 2018, the Group does not use any derivative financial instruments to hedge certain risk exposures.

The Group's risk management is carried out by the treasury department under policies approved by the board of directors. Treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors

(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:

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

- 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) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variables rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2018 and 2017, the Group's borrowings are all bearing interests at fixed rates and hence the Group is subject to fair value interest rate risk only but the related exposure is not significant as all of the Group's borrowing are with short maturities.

As the Group has no significant interest-bearing assets, other than bank deposits, the Group's operating income and 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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

The Group has no significant concentrations of credit risk. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash,trade and other receivables included in the consolidated balance sheet.

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. The Group has policies in place to ensure that sales of procedures are made to customers with an appropriate financial strength and credit history.

(ii) Impairment of financial assets

The Group has two type of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory
- other receivables

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for both trade receivables, except notes receivable which are bank acceptance bills with low credit risk:

31 December 2018	**Current**	**More than 30 days past due**	**More than 90 days past due**	**More than 270 days past due**	**Total**
Expected loss rate	**0%**	**5%**	**10%**	**100%**	
Gross carrying amount					
– trade receivables	**25,972**	**2,542**	**641**	**19,225**	**48,380**
Loss allowance	**–**	**127**	**64**	**19,225**	**19,416**

1 January 2018	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	Total
Expected loss rate	0%	5%	10%	100%	
Gross carrying amount					
– trade receivables	44,164	3,039	1,008	20,760	68,971
Loss allowance	–	150	101	20,760	21,011

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables (excluding loans to related parties) such as deposit are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligation in the near term. The Group has policies in place to ensure that counter party are financially viable and with an appropriate credit history. As at 31 December 2018, the loss allowance for other receivables (excluding loans to related party) was HK$6,175,000 (2017: HK$3,157,000).

Considering the poor financial capabilities of the related parties, the loans to related parties of HK$5,706,000 (2017: HK$ 5,981,000) as at 31 December 2018 was considered as fully impaired.

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2018	2017
	HK$000	*HK$000*
Impairment losses		
– individually impaired receivables (previous accounting policy)	**–**	(3,712)
– movement in loss allowance for trade receivables and other receivables	**–**	–
Impairment losses on other financial assets	**(1,388)**	–
Reversal of previous impairment losses	**–**	–
Net impairment losses on financial assets	**(1,388)**	(3,712)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate impairment allowance. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment allowance was recognised were written off against the impairment allowance when there was no expectation of recovering additional cash.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting periods, the Group held cash and cash equivalents of HK$80,952,000 (2017: HK$82,094,000) (Note 19) and trade and notes receivables of HK$37,318,000 (2017: HK$61,597,000) (Note 17) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice set by the Group. In addition, the Group's liquidity management policy involves considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year or on demand	
	2018	2017
	HK$000	*HK$000*
Group		
At 31 December		
Borrowings	**227,774**	148,662
Trade payables	**106,030**	162,893
Other payables *(Note (a))*	**124,472**	137,347
	458,276	448,902

Note:

(a) Trade and other payables did not include payroll payable, amounts due to the major shareholder of the Company, Tsinlien Group Company Limited ("Tsinlien"), other tax payables and deposits.

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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.

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 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 2018 and 31 December 2017 were as follows:

	2018	2017
	HK$000	*HK$000*
Borrowings *(Note 25)*	**223,830**	145,455
Less: Cash and cash equivalents *(Note 19)*	**(80,952)**	(82,094)
Net debt	**142,878**	63,361
Total equity	**155,155**	245,631
Total capital	**298,033**	308,992
Gearing ratio	**48%**	21%

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 ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

(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.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates *(continued)*

(b) Impairment impairment of non-current operating assets

Investments in leasehold land and land use rights, and property, plant and equipment (collectively the "Non-current Operating Assets") are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable 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 revenue growth rate, future operations, primarily comprising estimates about production and sales volumes, market prices of the products and capital expenditures. The key parameters and inputs in determining the recoverable amount of the Non-current Operating Assets are determination of comparable companies in the market, estimated revenue growth rate, discount rate and estimated market value of the Group's leasehold land and land use rights. Estimates are reviewed regularly by management. Changes in such estimates and in particular, deterioration in the market outlook, could impact the recoverable amounts of these assets, whereby some or all of the carrying amount may be impaired or the impairment charge reduced (if market outlook improves significantly), with the impact recorded in the income statement.

(c) Impairment allowance 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. The determination of the impairment allowance for inventories involves significant management judgment and estimates including factors such as historical usage of raw wine, aging profile of the raw materials and finished wine products, historical sales track records, forecasted sales volumes, selling prices as well as selling expenses and physical condition.

(d) Impairment allowance of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.

5 SEGMENT INFORMATION

In accordance with the Group's internal reporting, the chief operating decision maker considers the business from product perspective and has determined the operating segments to be red wines, white wines and all other products primarily related to the sale of sparkling wines, brandy and icewine. The executive directors assesses the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

5 SEGMENT INFORMATION *(continued)*

	Red wines HK$'000	White wines HK$'000	All other products HK$'000	Total HK$'000
For the year ended 31 December 2018				
Revenue *(Note (a))*	**260,719**	**81,784**	**2,430**	**344,933**
Gross profit	**68,675**	**22,455**	**1,926**	**93,056**
Impairment allowance of inventories	**(588)**	**(200)**	**(6)**	**(794)**
Depreciation and amortisation	**(7,885)**	**(2,473)**	**(73)**	**(10,431)**
Impairment losses on financial assets	**(1,049)**	**(329)**	**(10)**	**(1,388)**
For the year ended 31 December 2017				
Revenue *(Note (a))*	273,736	107,817	1,917	383,470
Gross profit	57,250	29,602	994	87,846
Impairment allowance of inventories	(24,986)	(2,740)	(1,258)	(28,984)
Depreciation and amortisation	(18,057)	(7,112)	(126)	(25,295)
Impairment losses on financial assets	(2,649)	(1,044)	(19)	(3,712)
Impairment allowance of property, plant and equipment	(14,286)	(5,627)	(100)	(20,013)

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$746,000 (2017: HK$398,000). The Directors of the Company consider Tianjin Food Group is a related party of the Group.

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

	2018 ***HK$000***	2017 *HK$000*
Gross profit for reportable segments	**93,056**	87,846
Other income, gains and losses – net	**1,850**	(4,727)
Distribution costs	**(79,629)**	(99,449)
Administrative expenses	**(85,415)**	(109,696)
Net impairment losses on financial assets	**(1,388)**	(3,712)
Operating loss	**(71,526)**	(129,738)
Finance costs – net	**(7,646)**	(5,489)
Loss before income tax	**(79,172)**	(135,227)

5 SEGMENT INFORMATION *(continued)*

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 external customers (2017: Nil) with whom transactions have exceeded 10% of the Group's revenues.

The majority of sales are within PRC.

6 EXPENSES BY NATURE

	2018	2017
	HK\$000	*HK\$000*
Raw materials and consumables used	**59,350**	165,692
Changes in inventories of finished goods and work in progress	**119,048**	(11,672)
Processing and assembling expenses *(Note (a))*	**2,816**	12,332
Advertising, marketing, and other incidental promotion expenses	**7,745**	14,461
Consumption tax of domestic sales and other taxes	**31,800**	37,932
Employee benefit expense *(Note 7)*	**106,242**	115,059
Transportation and storage expenses	**24,422**	27,896
Travelling expenses	**4,297**	5,349
Depreciation	**9,946**	23,730
Amortisation	**485**	1,565
Consultancy and professional fee	**9,975**	4,769
Operating lease payments *(Note (b))*	**5,159**	7,497
Maintenance expense *(Note (c))*	**2,107**	14,270
Auditors' remuneration	**5,840**	5,727
Impairment losses of financial assets	**1,388**	3,712
Impairment allowance of inventories	**794**	28,984
Impairment allowance of property, plant and equipment	**–**	20,013
Other expenses	**26,895**	31,165
Total cost of sales of goods, distribution costs, administrative expenses and net impairment losses on financial assets	**418,309**	508,481

Notes:

(a) All of the processing and assembling expenses are incurred for the service as rendered by the subsidiaries of Tianjin Food Group.

(b) Operating lease payments included rental fees for facilities paid or payable to the subsidiaries of Tianjin Food Group, which amounted to HK$1,535,000 (2017: HK$3,158,000).

(c) In 2017, maintenance expense for the services as rendered by the subsidiaries of Tianjin Food Group amounted to HK$8,612,000 and there is no such transactions with the related parties in 2018.

7 EMPLOYEE BENEFIT EXPENSE

	2018 HK$000	2017 HK$000
Wages and salaries	**82,899**	89,144
Social security costs – other insurances	**13,007**	15,600
Social security costs – retirement insurance	**9,589**	9,510
Other benefits	**747**	805
Total employee benefit expense	**106,242**	115,059

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: three) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining two (2017: two) individuals during the year are as follows:

	2018 HK$000	2017 HK$000
Salaries and allowances	**2,004**	2,405
Contributions to retirement benefits scheme	**87**	90
	2,091	2,495

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Nil – HK$1,000,000	**1**	1
HK$1,500,001 – 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 2018 (2017: Nil).

8 OTHER INCOME, GAINS AND LOSSES – NET

	2018 HK$000	2017 HK$000
Government grants	**351**	1,224
Write-off of long-aged trade and other payables	**–**	1,083
Service fee income	**239**	496
Gain/(loss) on disposal of property, plant and equipment	**153**	(194)
Stock loss *(Note)*	**–**	(7,182)
Others	**1,107**	(154)
	1,850	(4,727)

8 OTHER INCOME, GAINS AND LOSSES – NET *(continued)*

Note:

As detailed in the Company's public announcement dated 8 August 2018 (the "Announcement"), a subsidiary of the Company (the "Subsidiary") (as the plaintiff) filed a civil claim against a distributor which bypassed the established procedures and took the Group's inventories of finished goods with estimated sales values of HK$16,111,000 and costs of HK$7,182,000 (the "Lost Inventories"). The Announcement has also revealed that part of the Lost Inventories with estimated sales values of HK$8,013,000 and costs of HK$2,834,000 were deemed under a bill-and-hold arrangement with another single distributor connected with matters disclosed in the Company's Announcement (the "Bill-and-Hold Arrangement"). The Bill-and-Hold Arrangement referred to the arrangement between the Company and this single distributor for temporary inventory storage in the warehouse leased by the Subsidiary due to demolition of the warehouse of this single distributor. The audit committee of the Company conducted an independent investigation with the assistance of its legal adviser and a professional third party (the "Investigation") on the above case to understand and obtain evidence on how these incidents occurred, evaluate its impact on the Group's consolidated financial statements based on the findings.

After the Investigation, the Directors of the Company are of the view that the controls, risks and rewards associated with the inventories under the Bill-and-Hold Arrangement had not yet been transferred out of the Group and therefore no revenue was recognised by the Group in respect of these inventories during the year ended 31 December 2017. Based on the results of the Investigation, the Group has recognised a full impairment allowance against the Lost Inventories of HK$7,182,000 in the year ended 31 December 2017.

9 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2018 %	2017 %	**2018** %	2017 %
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**	35
Tianjin Tianyang Grape Winery Co. Ltd. ("Tianyang")	PRC	Manufacturing and sale of unprocessed wine; PRC	RMB41,532,000	**60**	60	**40**	40
Tianjin Tianyang Grape Winery Sales Co. Ltd. ("Tianyang Sales")	PRC	Sale of wine products; PRC	RMB1,000,000	**60**	60	**40**	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. ("Tianjin Sales")	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**	49

9 SUBSIDIARIES *(continued)*

(a) Non-controlling interests (NCI)

As of 31 December 2018, the total non-controlling interest is HK$13,739,000 (2017: HK$15,009,000). Non-controlling interests HK$17,286,000 (2017: HK$18,267,000) 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.

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	
	2018	2017
	HK$000	*HK$000*
Current assets	**53,559**	57,693
Current liabilities	**(26,274)**	(31,280)
Current net assets	**27,285**	26,413
Non-current assets	**16,977**	20,300
Non-current liabilities	**–**	–
Non-current net assets	**16,977**	20,300
Net assets	**44,262**	46,713
Accumulated NCI	**17,286**	18,267

9 SUBSIDIARIES *(continued)*

(a) Non-controlling interests (NCI) *(continued)*

Summarised statement of comprehensive income

	Tianyang Group	
	2018	2017
	HK$000	*HK$000*
Revenue	**19,220**	24,276
Loss after income tax	**(314)**	(159)
Other comprehensive (loss)/income	**(2,138)**	3,085
Total comprehensive (loss)/income	**(2,452)**	2,926
(Loss)/income allocated to NCI	**(981)**	1,171

10 INVESTMENT IN AN ASSOCIATE

Set out below are details of the associate of the Group as at 31 December 2018 and 2017. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value*		Carrying amount	
		2018	2017			**2018**	2017	**2018**	2017
		%	*%*			***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Dynasty Yuma Vineyard (Ning Xia) Co. Ltd.	PRC/PRC	**25**	25	Associate	Equity method	**–**	–	**–**	–

* Private entity – no quoted price available

As at 31 December 2018, 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 ordinary share 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 due to the continuing losses of the associate. The associate becomes inactive without any production activities since October 2011.

11 FINANCE COSTS – NET

	2018 HK$000	2017 HK$000
Finance income – interest income	**410**	517
Finance costs – interest expense on bank borrowings	**(8,056)**	(6,006)
Finance costs – net	**(7,646)**	(5,489)

12 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, including how the tax expense is affected by non-assessable or non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense

	2018 HK$000	2017 HK$000
Current income tax:		
Current income tax on profits for the year	**71**	27
Total current income tax expense	**71**	27
Deferred income tax:		
Total deferred income tax	**–**	–
Income tax expense	**71**	27

12 INCOME TAX EXPENSE *(continued)*

(a) Income tax expense *(continued)*

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

	2018 HK$000	2017 HK$000
Loss before income tax	**(79,172)**	(135,227)
Tax calculated at domestic tax rates applicable to losses in the respective countries	**(18,678)**	(30,245)
– Expenses not deductible for tax purposes	**1,492**	2,048
– Changes in the temporary differences for which no deferred income tax assets were recognised	**(18,925)**	9,763
– Tax losses for which no deferred income tax asset was recognised	**36,182**	18,461
Tax expense	**71**	27

The weighted average applicable tax rate was 24% (2017: 22%).

13 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company.
- by the weighted average number of ordinary shares outstanding during the financial year.

	2018 HK$000	2017 HK$000
Loss attributable to owners of the Company	**(78,668)**	(133,625)
Weighted average number of ordinary shares in issue *(thousands)*	**1,248,200**	1,248,200

	2018 HK$ cents	2017 HK$ cents
Loss attributable to the ordinary equity holders of the Company	**(6.30)**	(10.71)

13 LOSS PER SHARE *(continued)*

(b) Diluted loss per share

As the Group has no dilutive instruments during the years ended 31 December 2018 and 2017, the Group's diluted earnings per share equal to its basic earnings per share for the years ended 31 December 2018 and 2017.

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:

	HK$'000
At 1 January 2017	
Cost	71,453
Accumulated amortisation	(19,358)
Net book amount	52,095
At 31 December 2017	
Opening net book amount	52,095
Exchange differences	3,621
Accumulated charge	(1,565)
Transfer to assets held for sale *(Note 20)*	(34,982)
Closing net book amount	19,169
At 31 December 2017	
Cost	28,030
Accumulated amortisation	(8,861)
Net book amount	19,169
At 31 December 2018	
Opening net book amount	19,169
Exchange differences	(868)
Amortisation charge	(485)
Closing net book amount	17,816
At 31 December 2018	
Cost	26,744
Accumulated amortisation	(8,928)
Net book amount	17,816

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 2017						
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
Year ended 31 December 2017						
Opening net book amount	202,654	53,119	13,734	2,663	–	272,170
Exchange differences	13,853	3,393	679	143	25	18,093
Additions	–	562	391	–	670	1,623
Disposals	–	(58)	(23)	(154)	–	(235)
Transfer to assets held for sale	(155,823)	–	–	–	–	(155,823)
Impairment charge *(Note)*	(12,730)	(486)	(6,073)	(724)	–	(20,013)
Depreciation charge	(12,484)	(9,924)	(1,111)	(211)	–	(23,730)
Closing net book amount	35,470	46,606	7,597	1,717	695	92,085
At 31 December 2017						
Cost	273,116	427,324	118,247	23,846	695	843,228
Accumulated depreciation and impairment	(237,646)	(380,718)	(110,650)	(22,129)	–	(751,143)
Net book amount	35,470	46,606	7,597	1,717	695	92,085
Year ended 31 December 2018						
Opening net book amount	**35,470**	**46,606**	**7,597**	**1,717**	**695**	**92,085**
Exchange differences	**(1,573)**	**(2,024)**	**(330)**	**(68)**	**(17)**	**(4,012)**
Additions	**–**	**839**	**1,566**	**–**	**–**	**2,405**
Disposals	**–**	**(28)**	**(16)**	**–**	**(678)**	**(722)**
Depreciation charge	**(2,389)**	**(5,803)**	**(1,479)**	**(275)**	**–**	**(9,946)**
Closing net book amount	**31,508**	**39,590**	**7,338**	**1,374**	**–**	**79,810**
At 31 December 2018						
Cost	**260,586**	**407,988**	**114,289**	**22,826**	**–**	**805,689**
Accumulated depreciation and impairment	**(229,078)**	**(368,398)**	**(106,951)**	**(21,452)**	**–**	**(725,879)**
Net book amount	**31,508**	**39,590**	**7,338**	**1,374**	**–**	**79,810**

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Note:

The Directors of the Company has assessed the recoverable amounts of the Group's property, plant and equipment and leasehold land and land use rights as at 31 December 2018 and concluded that no further impairment provision has to be recognised in income statement for the year ended 31 December 2018. The impairment charge as recognised during the year ended 31 December 2017 amounted to HK$20,013,000.

For the purpose of the impairment assessment, management has determined the recoverable amounts of the red and white wines cash-generating units ("CGU") based on fair value less costs of disposal calculations ("FVLCOD", which is higher than the value-in-use of the CGU) by reference to the published financial information of certain selected comparable companies which are in the same industry. The key parameters and inputs which are most sensitive for the FVLCOD calculations include determination of comparable companies in the market, the estimated revenue growth rates, discount rates and the estimated market value of the Group's leasehold and land use rights representing a majority part of the fair value of the whole CGU as adopted in the assessment. The estimated revenue growth rates as adopted in the impairment assessment ranges from 2.6% to 4.2% (2017: 2.6% to 4.2%) throughout the entire forecast periods. The post-tax discount rate as adopted by management in the impairment assessment is 14.4% (2017: 14.4%) which reflects the current market assessment of the time value of money and the risks specific to the CGU. The estimated market value of the Group's leasehold and land use right as adopted by management in the impairment assessment is RMB513 (2017: RMB513) per square meter.

16 GOODWILL

	Goodwill *HK$000*
At 1 January 2017, 31 December 2017 and 2018	
Cost	9,421
Accumulated impairment	(9,421)
Net book amount	–

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

A full impairment allowance against the entire goodwill had been recognised in 2012.

17 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and notes receivables

	2018 *HK$000*	2017 *HK$000*
Trade receivables	**48,380**	68,971
Loss allowance for trade receivables *(Note 3.1)*	**(19,416)**	(20,771)
Trade receivables – net	**28,964**	48,200
Notes receivables *(Note iii)*	**8,354**	13,397
Trade and notes receivables	**37,318**	61,597

As at 31 December 2018, trade receivables of HK$469,000 (2017: HK$611,000) was due from the subsidiaries of Tianjin Food Group.

17 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(a) Trade and notes receivables *(continued)*

The Group grants a credit period of 90 days (2017: 90-180 days) to its customers. The ageing analysis of the trade receivables is as follows:

	2018 *HK$000*	2017 *HK$000*
Up to 90 days	**25,972**	44,164
More than 30 days past due	**2,542**	3,039
More than 90 days past due	**641**	1,008
More than 270 days past due	**19,225**	20,760
	48,380	68,971

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi.

(i) Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by HK$240,000 for trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The loss allowance for trade receivables decreased from HK$21,011,000 as of 1 January 2018 to HK$19,416,000 as of 31 December 2018.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

(iii) Notes receivables

Notes receivables where the contractual cash flow were solely principal and interest were previously classified as financial assets at amortised costs. Considering the Group's business model comprised both collecting contractual cash flows upon the expiry of the notes receivables or selling of these notes receivables, notes receivables should be classified from financial assets at amortised cost to financial assets at FVOCI upon the adoption of HKFRS 9 (with effect from 1 January 2018). No such reclassification has been made in these consolidated financial statements as the Directors of the Company considered that the exiting presentation can ensure comparability of financial information and adequate disclosure has been made in this disclosure note.

17 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

	2018	2017
	HK$000	*HK$000*
Loan to related parties	**5,706**	5,981
Taxes recoverable	**4,975**	4,270
Deposits paid	**4,088**	4,272
Advance of promotion expense *(Note i)*	**2,853**	–
Loan to employees	**651**	1,421
Other receivables	**4,183**	5,458
	22,456	21,402
Less: loss allowance for other receivables *(Note 3.1(b))*	**(11,881)**	(9,138)
	10,575	12,264

Notes:

(i) The advance of promotion expense to distributors will be recovered if the distributor fail to meet the pre-determined sales target according to the respective agreements.

(ii) Other receivables (other than taxes recoverable) are considered as having low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected credit loss.

(c) Prepayment

	2018	2017
	HK$000	*HK$000*
Prepayments to		
– related parties *(Note)*	**10,256**	72
– third parties	**3,042**	1,891
	13,298	1,963

Note:

Prepayments to related parties represent the amounts of processing and assembling expenses as prepaid to the subsidiaries of Tianjin Food Group. All of these prepayments have been recovered as the date of these consolidated financial statements.

18 INVENTORIES

	2018 HK$000	2017 HK$000
Raw materials *(Note (a))*	**206,670**	240,484
Work in progress *(Note (b))*	**5,074**	7,120
Finished goods *(Note (c))*	**319,464**	436,466
Consumables	**35,749**	42,593
	566,957	726,663
Inventory provision write-down *(Note (d))*	**(229,905)**	(296,813)
	337,052	429,850

Notes:

(a) The raw materials mainly contain raw wines, yeast and additives.

(b) Work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

(c) Finished goods are bottled wine, which are ready for sale.

(d) Inventory impairment allowance movement

	2018 HK$000	2017 HK$000
As at 1 January	**(296,813)**	(261,408)
Exchange differences	**11,826**	(17,294)
Charged to "cost of sales" for the year	**(794)**	(28,984)
Charged to "other losses" due to the stock loss *(Note 8)*	**–**	(7,182)
Utilised upon the sales of the inventories	**48,694**	18,055
Inventories write-offs due to stock loss	**7,182**	–
As at 31 December	**(229,905)**	(296,813)

As at 31 December 2018, finished goods with costs of HK$220,607,000 (2017: HK$242,607,000) was considered as obsolete, while finished goods of HK$8,789,000 (2017: HK$10,208,000) was considered as slow-moving and full provision for impairment allowance have been recognised on these inventories of finished goods. The remaining provision for impairment allowance of inventories of HK$509,000 (2017: HK$43,998,000) as at 31 December 2018 was recognised to write down the remaining inventories of finished goods to their estimated net realisable values by reference to the market price of certain imported wines.

(e) Inventories recognised as "cost of sales" and "distribution expenses" during the year ended 31 December 2018 amounted to HK$172,812,000 and HK$5,586,000 respectively (2017: HK$145,784,000 and HK$8,236,000). The stock losses as recognised within "other losses" in 2017 amounted to HK$7,182,000 (Note 8).

19 CASH AND BANK BALANCES

(i) Restricted cash

The cash and cash equivalents include restricted cash of HK$389,000 (2017: HK$416,000) as held by the Group. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

(ii) Cash and cash equivalents

	2018	2017
	HK$000	*HK$000*
Cash at bank and in hand	**80,952**	82,094

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 ASSETS HELD FOR SALE

	2018	2017
	HK$000	*HK$000*
Non-current assets held for sale		
Buildings	**148,674**	155,823
Land use right	**33,377**	34,982
	182,051	190,805

In February 2017, the Directors of the Company indicated its intention to dispose a chateau and related facilities held by a subsidiary, Sino-French Joint-Venture Dynasty Winery Ltd. (referred to as the "Tianjin factory"). On 27 June 2017, the Board announced that Tianjin factory would dispose of a chateau and related facilities through a public auction on Tianjin Property Rights Transaction Centre ("TPRTC") in the PRC pursuant to the relevant PRC laws and regulations in relation to transfer of PRC state-owned assets. The reserve price for the proposed sale and transfer of a chateau and related facilities was RMB400 million. On 24 October 2017, Tianjin Yiyang Big Health Small Township Development Co., Ltd., an independent third party, (the "purchaser"), registered with TPRTC regarding the purchase of the chateau and related facilities. Accordingly, the land use right and buildings in relation to this chateau were classified as assets held for sale as at 31 December 2017.

20 ASSETS HELD FOR SALE *(continued)*

On 23 July 2018, the Tianjin factory formally entered into an Asset Transaction Agreement with the purchaser to dispose the land use right and buildings in relation to the chateau at consideration of RMB400 million (the "Disposal"). The Disposal was approved by the shareholders of the Company at the extraordinary general meeting on 5 December 2018. On 16 May 2019, the Tianjin factory received the consideration of RMB400 million from the purchaser through TPRTC. As of the date of approval of these consolidated financial statements, the Disposal has not yet completed pending for certain administrative registration procedures.

Certain bank borrowings was secured by the chateau and related facilities (classified as assets held for sale) with carrying amount of HK$190,805,000 in 2017 (Note 25(a)). In June 2017, statements were issued by the China CITIC Bank and China Minsheng Bank to the TPRTC to confirm their agreement to put the mortgaged chateau and related facilities for sale through the TPRTC before the Group repaying the secured bank borrowings. And the aforesaid mortgage were all released along with the repayment of the borrowings prior to September 2018.

The movement in assets classified as held for sale during the year ended 31 December 2018 is due to the exchange difference as arisen from the retranslation of the foreign operation which owns the related assets.

21 SHARE CAPITAL

	Number of shares *(thousands)*	Share capital *HK$000*
At 1 January 2017, 31 December 2017 and 31 December 2018	1,248,200	124,820

22 OTHER RESERVES

	Share premium HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	Reserve fund HK$'000 (Note iii)	Enterprise expansion reserve HK$'000 (Note iii)	Exchange reserve HK$'000 (Note iv)	Total HK$'000
As at 1 January 2017	464,464	74,519	158,928	94,434	347,008	1,139,353
Currency translation differences	–	–	–	–	18,584	18,584
As at 31 December 2017	464,464	74,519	158,928	94,434	365,592	1,157,937
Adjustment on adoption of HKFRS 9	–	–	–	–	(7)	(7)
As at 1 January 2018	464,464	74,519	158,928	94,434	365,585	1,157,930
Currency translation differences	–	–	–	–	(10,298)	(10,298)
As at 31 December 2018	464,464	74,519	158,928	94,434	355,287	1,147,632

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 2018 and 2017, there was no net profit for appropriation.

(IV) EXCHANGE RESERVE

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 2.6 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 HK$000	2017 HK$000
Trade payables *(Note (a))*	**106,030**	162,893
Amounts due to Tsinlien *(Note (b))*	**42,404**	42,404
Payroll payable	**5,890**	6,553
Other tax payables	**8,042**	12,537
Other payables and accruals	**134,060**	148,352
Other payables and accruals	**190,396**	209,846
	296,426	372,739

Notes:

(a) Trade payables are unsecured and are usually paid within 90 days of recognition. As at 31 December 2018, trade payables of HK$26,212,000 (2017: HK$34,003,000) was due to the subsidiaries of Tianjin Food Group.

(b) The amounts due to Tsinlien are arisen in connection with the emoluments payable for certain directors as accumulated since 2004. The amounts due to Tsinlien are unsecured, interest free and have no fixed terms of repayment. In June 2019, the ultimate shareholder of Tsinlien has issued a letter to the Company to confirm that Tsinlien will not request for the Group's repayment of the aforesaid amounts due it within the next fifteen months from 1 January 2019.

(c) The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(d) The ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	2018 HK$000	2017 HK$000
0-30 days	**31,418**	32,113
31-90 days	**19,583**	16,784
91 to 180 days	**3,147**	10,796
Over 180 days	**51,882**	103,200
	106,030	162,893

24 CONTRACT LIABILITIES

	2018 HK$000	2017 HK$000
Advance payments from distributors	**83,850**	126,418

Upon the adoption of HKFRS 15 on 1 January 2018, the Group has reclassified retrospectively the non-refundable advance from customers from "other payables and accruals" to "contract liabilities" in view of the Group's obligation to transfer goods to the customers.

25 BORROWINGS

	2018 HK$000	2017 HK$000
Current		
Entrusted bank borrowings *(Note (a))*	**216,845**	119,617
Financial liability due to a bank *(Note (b))*	**4,794**	20,335
Other borrowings *(Note (c))*	**2,191**	5,503
Total borrowings	**223,830**	145,455

Notes:

(a) Entrusted bank borrowings represented one-year term loans as advance to the Group by Tianjin Food Group through banks. As at 31 December 2018, these entrusted bank borrowings of HK$216,845,000 are unsecured, repayable in December 2019 and bear interests at fixed interest rate of 5.35% per annum.

As at 31 December 2017, entrusted bank borrowings of HK$59,808,000 are secured by certain land and buildings of a subsidiary with an aggregate carrying amount of HK$190,805,000 (Note 20) and the remaining entrusted bank borrowings of HK$59,809,000 were unsecured liabilities. The entrusted bank borrowings as at 31 December 2017 all bore interests at fixed interest rate of 5.35% per annum and were all repaid prior to November 2018.

(b) During the year ended 31 December 2018, a distributor has deposited bank balances of HK$2,054,000 (2017: HK$3,588,000) to a bank for the issue of bank acceptance bills with face value of HK$6,848,000 (2017: HK$23,924,000) (the "Bills") to a subsidiary of the Group, Tianjin Sales, which are all with a maturity period of 12 months. The Group has already either discounted these bills to other banks for obtaining financing or endorsed them to suppliers as the Group's settlement of related payable balances due to the suppliers prior to 31 December 2018.

Pursuant to the agreement as entered into between Tianjin Sales, the distributor and the bank, Tianjin Sales has the contractual obligation to repay the bank for any shortfall amount (representing the face value of the Bills in excess of the cumulative bank balances as deposited by the distributor for the issue of the Bills) (the "Shortfall") upon the expiry of the Bills. As at 31 December 2018, the Shortfall amounted to HK$4,794,000 (2017: HK$20,335,000) and the Group has accounted for the Shortfall as a financial liability due to the bank, considering its contractual obligation still existed as of 31 December 2018.

Despite the Group has received the Bills, the trade receivables in connection with the Group's sales to the aforesaid distributor of HK$4,794,000 (2017: HK$20,335,000) as at 31 December 2018 have not been derecognised as the Group does not have any legally enforceable right to offset the related receivables against the Group's liability to repay the Shortfall.

25 BORROWINGS *(continued)*

Notes: (continued)

(c) Other borrowings represented the amounts of those unexpired bank acceptance bills which are issued by relatively low credit-rating banks with certain level of default risk and have been already endorsed by the Group to its suppliers as settlement of the Group's payable balances prior to the balance sheet date.

(d) The fair values of all borrowings approximate their carrying amounts, since either the interest payable on those borrowings is close to current market rates or the borrowings financial liability are with short maturity periods.

26 DEFERRED INCOME TAX

There is no movement in deferred income tax assets or liabilities during in the year ended 31 December 2018 and 2017.

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. As of 31 December 2018, the Group did not recognise deferred income tax assets of HK$293,079,000 (2017: HK$374,346,000) in respect of losses and others temporary differences which primarily arising from asset impairment, amounting to HK$758,279,000 and HK$447,052,000 respectively (2017: HK$983,000,000 and HK$552,752,000) that can be carried forward against future taxable income.

Unrecognised tax losses are expiring as below:

	2018 ***HK$000***	2017 *HK$000*
2018	**–**	370,739
2019	**280,525**	280,525
2020	**123,927**	123,927
2021	**126,728**	126,728
2022	**81,081**	81,081
2023	**146,019**	–
	758,280	983,000

Notes to the Consolidated Financial Statements

27 CASH FLOW INFORMATION

(a) Cash used in operations

	2018 HK$000	2017 HK$000
Loss before income tax	**(79,172)**	(135,227)
Adjustments for:		
Interest income *(Note 11)*	**(410)**	(517)
Finance costs *(Note 11)*	**8,056**	6,006
Depreciation of property, plant and equipment *(Note 15)*	**9,946**	23,730
Amortisation *(Note 14)*	**485**	1,565
(Gain)/loss on disposal of property, plant and equipment	**(153)**	194
Net impairment loss on financial assets *(Note 6)*	**1,388**	3,712
Impairment allowance of inventories *(Note 18)*	**794**	36,166
Impairment allowance of property, plant and equipment *(Note 15)*	**–**	20,013
Change in operating assets and liabilities (excluding the effects of currency translation differences on consolidation):		
– Decrease in inventories	**92,004**	38,351
– Decrease in trade and other receivables	**5,487**	19,628
– (Increase)/decrease in prepayments	**(11,335)**	363
– Decrease in trade and other payables and accruals	**(77,991)**	(39,534)
– (Decrease)/increase in contract liabilities	**(42,568)**	6,616
Cash used in operations	**(93,469)**	(18,934)

(b) Major non-cash transactions

During the year ended 31 December 2018, the financial liabilities as taken up by the Group under the arrangement as described in Note 25(b) amounted to HK$6,848,000 (2017: HK$23,924,000). These liabilities are recognised upon the receipt of the bank acceptance bills as issued by a distributor without any corresponding cash inflows. As at 31 December 2018, the financial liabilities arisen from the aforesaid arrangement which are not yet derecognised amounted to HK$4,794,000 (2017: HK$20,335,000).

During the year ended 31 December 2018, the Group has endorsed bank acceptance bills with an aggregated amounts of HK$37,671,000 (2017: HK$82,515,000) to the its suppliers as the Group's settlement of the payable balances due to the respective suppliers.

27 CASH FLOW INFORMATION *(continued)*

(c) Net debt reconciliation

Net debt

	2018 HK$000	2017 HK$000
Cash and cash equivalents	**80,952**	82,094
Borrowings – repayable within one year	**(223,830)**	(145,455)
Net debt	**(142,878)**	(63,361)
Cash	**80,952**	82,094
Gross debt – fixed interest rates	**(223,830)**	(145,455)
Net debt	**(142,878)**	(63,361)

	Cash HK$'000	Borrowings due within 1 year HK$'000	Net debt total HK$'000
As at 1 January 2017	90,675	(117,318)	(26,643)
Cash flows	(6,515)	(30,605)	(37,120)
Foreign exchange adjustments	(2,066)	–	(2,066)
Other non-cash movements	–	2,468	2,468
As at 31 December 2017	82,094	(145,455)	(63,361)
Cash flows	(3,753)	(97,228)	(100,981)
Foreign exchange adjustments	2,611	–	2,611
Other non-cash movements	–	18,853	18,853
As at 31 December 2018	80,952	(223,830)	(142,878)

28 COMMITMENTS

(a) Capital commitments

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

(b) Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within 5 years. These leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018	2017
	HK$000	*HK$000*
Within one year	**7,431**	7,963
Later than one year and not later than five years	**1,232**	1,054
	8,663	9,017

29 ASSETS PLEDGED AS SECURITY

	2018	2017
	HK$000	*HK$000*
Assets held for sale	**–**	190,805

30 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.

30 RELATED PARTY TRANSACTIONS *(continued)*

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

(a) Key management personal 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:

	2018	2017
	HK$000	*HK$000*
Short-term employee benefits	**7,166**	7,467
Long-term benefits	**230**	281
	7,396	7,748

(b) Transactions with other related parties

	2018	2017
	HK$000	*HK$000*
Purchases of goods:		
– Subsidiary of Tsinlien	**696**	1,815

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

(c) Outstanding balances arising from purchases of goods

	2018	2017
	HK$000	*HK$000*
Current payables to related parties:		
– Subsidiary of Tsinlien	**2,769**	2,412

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

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Assets		
Non-current assets		
Property, plant and equipment	**429**	641
Interests in subsidiaries	**539,940**	539,190
Dividend receivable from subsidiaries	**104,739**	104,739
	645,108	644,570
Current assets		
Trade receivables	**17**	124
Other receivables and prepayments	**805**	842
Inventories	**362**	377
Cash and cash equivalents	**17,689**	2,920
	18,873	4,263
Total assets	**663,981**	648,833
Equity and liabilities		
Capital and reserves attributable to owners of the Company		
Share capital	**124,820**	124,820
Other reserves *(Note (a))*	**904,789**	904,789
Accumulated losses	**(460,036)**	(448,494)
Total equity	**569,573**	581,115
Liabilities		
Current liabilities		
Other payables and accruals *(Note (b))*	**65,638**	60,965
Amount due to subsidiaries	**28,770**	6,753
Total liabilities	**94,408**	67,718
Total equity and liabilities	**663,981**	648,833

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

Balance sheet of the Company *(continued)*

Notes:

(A) RESERVE MOVEMENT OF THE COMPANY

		Other reserves			
	Accumulated losses *HK$'000*	Share premium *HK$'000*	Employee share-based compensation reserve *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*
As at 1 January 2017	(433,409)	464,464	–	331,286	109,039
Loss for the year	(15,085)	–	–	–	–
As at 31 December 2017	(448,494)	464,464	–	331,286	109,039
Loss for the year	(11,542)	–	–	–	–
As at 31 December 2018	**(460,036)**	**464,464**	**–**	**331,286**	**109,039**

(B) As at 31 December 2018, other payables and accruals included amounts due to Tsinlien of HK$42,404,000 (2017: HK$42,404,000) (Note 23(b)).

32 BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2018:

	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. Sun Jun *(Note i)*	–	1,400	–	336	–	–	1,736
Mr. Li Guanghe *(Note ii)*	–	1,493	–	337	–	47	1,877
Mr. Sun Yongjian	–	434	–	1	–	111	546
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	3,327	–	674	–	158	6,583

32 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Directors' emoluments *(continued)*

For the year ended 31 December 2017:

	Fees	Salary	Discretionary bonus	Other benefits	Share-based payments	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director							
Mr. Hao Feifei *(Note iii)*	–	1,400	–	336	–	–	1,736
Mr. Yin Jitai *(Note iv)*	–	1,805	–	338	–	104	2,247
Mr. Sun Yongjian	–	421	–	2	–	104	527
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	3,626	–	676	–	208	6,934

Notes:

(i) Appointed on 1 January 2018

(ii) Appointed on 1 January 2018

(iii) Resigned on 1 January 2018

(iv) Resigned on 1 January 2018

33 EVENTS AFTER THE REPORTING PERIOD

As the date of these financial statements, all of the Group's borrowings as at 31 December 2018 (Note 25) have been repaid upon their maturity dates. Subsequent to 31 December 2018, one-year term entrusted bank borrowings of RMB40 million were granted to the Group by the Tianjin Food Group through China Merchants Bank respectively which bore interests at rates ranged from 4.35% to 5.35% per annum. As the date of these financial statements, all of the aforesaid borrowings of RMB40 million had been repaid by the Group.

34 CONTINGENT LIABILITY

In June 2018, an arbitration was lodged by a supplier against one of the Group's subsidiaries for its non-performance under a raw materials purchasing agreement as signed in November 2015. The matter is currently being considered by the Tianjin Arbitration Commission. The external lawyer as appointed by the Group and the Group's internal legal department consider it to be probable that the judgement will be in favour of the Group and has therefore not recognised a provision in relation to this case. The potential compensation that the Group could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately RMB30 million.

In March 2019, a lawsuit was lodged by a supplier against one of the Group's subsidiaries for its non-performance under a raw wine purchasing supplementary agreement as signed in May 2015. The matter is currently being considered by the Tianjin Beichen District People's Court. The external lawyer as appointed by the Group and the Group's internal legal department consider it has partial possibility that the judgement will be in favour of the Group and has therefore not recognised a provision in relation to this case. The potential compensation that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately RMB0.7 million.

Five Years Summary

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

CONSOLIDATED RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
		Restated			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**344,933**	383,470	452,181	627,207	669,257
Loss before income tax	**(79,172)**	(135,227)	(101,240)	(206,949)	(396,151)
Income tax (expense)/credit	**(71)**	(27)	304	(18)	(47)
Loss after income tax	**(79,243)**	(135,254)	(100,936)	(206,967)	(396,198)
Non-controlling interests	**(575)**	(1,629)	(304)	(1,416)	(2,675)
Loss attributable to owners of the Company	**(78,668)**	(133,625)	(100,632)	(205,551)	(393,523)
Dividends	**–**	–	–	–	–

CONSOLIDATED ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS IN EQUITY

	2018	2017	2016	2015	2014
		Restated			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**97,626**	111,254	324,265	374,907	534,530
Current assets	**479,584**	588,184	686,224	860,153	1,055,936
Assets classified as held for sale	**182,051**	190,805	–	–	–
Current liabilities	**(604,106)**	(644,612)	(649,258)	(746,752)	(861,145)
Non-controlling interests in equity	**(13,739)**	(15,009)	(15,568)	(16,943)	(19,512)
Total equity	**141,416**	230,622	345,663	471,365	709,809