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)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "**Board**") of Dynasty Fine Wines Group Limited (the "**Company**") announce herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2014, prepared on the basis set out in Note 2 below, together with the comparative figures for the previous year as follows:

REASON FOR DELAY IN PUBLICATION OF THE 2014 ANNUAL RESULTS

For information on the delay in publication of the 2014 annual results, please refer to the announcements of the Company dated 31 March 2015.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**669,257**	873,700
Cost of sales	*4*	**(619,625)**	(786,776)
Gross profit		**49,632**	86,924
Distribution expenses	*4*	**(291,620)**	(411,881)
Administrative expenses	*4*	**(162,853)**	(192,822)
Other income, gains and losses	*5*	**10,228**	2,997
Operating loss		**(394,613)**	(514,782)
Finance income	*6*	**7,254**	5,889
Finance costs	*6*	**(8,792)**	(7,860)
Finance costs – net	*6*	**(1,538)**	(1,971)
Loss before income tax		**(396,151)**	(516,753)
Income tax expense	*7*	**(47)**	(36,836)
Loss for the year		**(396,198)**	(553,589)
Loss attributable to:			
Owners of the Company		**(393,523)**	(552,459)
Non-controlling interests		**(2,675)**	(1,130)
Loss per share attributable to owners of the Company for the year *(expressed in HK$ cents per share)*			
– Basic and diluted loss per share	*9*	**(31.53)**	(44.26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**472,292**	523,883
Leasehold land and land use rights		**62,238**	64,053
Goodwill		**–**	–
Investment in an associate		**–**	–
Deferred income tax assets		**–**	–
Trade and other receivables	*10*	**–**	1,569
		534,530	589,505
Current assets			
Trade receivables	*10*	**150,830**	192,545
Other receivables, deposits and prepayments	*10*	**84,061**	99,405
Inventories		**673,782**	834,483
Prepaid income tax		**3,660**	11,973
Short-term deposits with maturity over three months		**–**	8,855
Restricted cash		**9,158**	10,225
Cash and cash equivalents		**134,445**	196,935
		1,055,936	1,354,421
Total assets		**1,590,466**	1,943,926
EQUITY			
Equity attributable to owners of the Company:			
Share capital		**124,820**	124,820
Other reserves		**1,199,229**	1,204,752
Accumulated losses		**(614,240)**	(222,670)
		709,809	1,106,902
Non-controlling interests		**19,512**	22,271
Total equity		**729,321**	1,129,173
LIABILITIES			
Current liabilities			
Trade payables	*11*	**299,090**	262,366
Other payables and accruals	*11*	**483,597**	436,823
Borrowings		**52,449**	89,059
Current income tax liabilities		**26,009**	26,505
		861,145	814,753
Total liabilities		**861,145**	814,753
Total equity and liabilities		**1,590,466**	1,943,926

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding and trading of wine products. The principal activities of the subsidiaries are manufacturing and sale of wine products and unprocessed wine.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

2.2 Investigation and prior year adjustments

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

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

(i) Sales arrangements with certain distributors

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

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

(ii) Discrepancies in inventories

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

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

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

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

(iii) Recognition and classification of selling expenses

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

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

2.3 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

- Amendment to HKAS 32, 'Financial instruments: Presentation'
- Amendments to HKAS 36, 'Impairment of assets'
- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement'
- HK (IFRIC) 21, 'Levies'

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

(b) New Hong Kong Companies Ordinance

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

(c) New standards and interpretations not yet adopted

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

- HKFRS 9, 'Financial instruments'
- HKFRS 15, 'Revenue from contracts with customers'
- HKFRS 16, 'Leases'

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

3 SEGMENT INFORMATION

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

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

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

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

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

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

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

The Group's customer base is diversified and no (2013: Nil) external customers with whom transactions have exceeded 10% of the Group's revenues. The majority of sales are within the People's Republic of China (the "**PRC**").

4 EXPENSE BY NATURE

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

5 OTHER INCOME, GAINS AND LOSSES

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

6 FINANCE COSTS – NET

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

7 INCOME TAX EXPENSE

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

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

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

8 DIVIDENDS

No dividend was paid in 2014 and 2013.

9 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

10 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

11 TRADE AND OTHER PAYABLES

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

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

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

PricewaterhouseCoopers were engaged to audit the consolidated financial statements of the Group and disclaimer of opinion was issued. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2014:

"Basis for Disclaimer of Opinion

1. Scope Limitations Relating to Findings of the Investigation

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

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

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

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

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

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

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

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

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

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

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

2. Impairment of Property, Plant and Equipment

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

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

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

Disclaimer of Opinion

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

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

Financial review

Revenue

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

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

Cost of sales

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

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

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

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

Gross profit margin

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

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

Other income, gains and losses

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

Distribution expenses

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

Administrative expenses

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

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

Income tax expense

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

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

Cash flow

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

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

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

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

Financial management and treasury policy

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

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

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

Business review

Sales analysis

A) Distributorship

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

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

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

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

B) *Retail shops*

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

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

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

C) *Online sales*

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

Supplies of grapes or grape juice

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

Production capacity

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

Outlook

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

Human resources management

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

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

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

Liquidity and financial resources

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

The Group had net debt of HK$385.1 million (total borrowings, trade and other payables less cash and cash equivalents), with total equity of the Group amounting to approximately HK$729.3 million as at 31 December 2014 ensuring solvency and the Group's ability to continue as a going concern. The Group's gearing ratio, expressed as a ratio of total debt to total capital (net debt and total equity), as at 31 December 2014 was 35% (2013 – 23%).

Capital structure

The Group had short-term borrowings of HK$52.5 million and was in a net cash and liquid position as of HK$81.9 million at 31 December 2014, reflecting its sound capital structure. We expect our cash with bank facilities to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

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

Capital commitments, contingencies and charges on assets

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

Material acquisitions and disposals of subsidiaries and associated companies

For the year ended 31 December 2014, the Group had not made any other material acquisitions or disposal of subsidiaries and associated companies.

Event after the reporting period

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

Dividend

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

Purchase, sale or redemption of shares of the Company

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

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 "**Model 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 2014.

Compliance with the Code on Corporate Governance Practice

Saved 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 set out in Appendix 14 of the Listing Rules (the "**Code**") for the year ended 31 December 2014. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

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

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

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

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

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

During the period from 31 December 2014 to the date of announcement, the number of independent non-executive directors of the Company fell below one-third of the Board. As such, the number of independent non-executive directors of the Company cannot represent at least one-third the Board required under Rule 3.10A of the Listing Rules.

As a result of the internal of Investigations, the Group has breached the financial reporting provisions under the Listing Rules in respect of (i) announcing the annual/interim results for the year ended 31 December 2014 and for the six-month period ended 30 June 2014; (ii) publishing the related annual/interim reports for the year ended 31 December 2014 and for the six-month period ended 30 June 2014; and (iii) convening an annual general meeting for the financial year ended 31 December 2014.

Audit committee

The audit committee comprises of 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 2014 in conjunction with the Company's auditor.

In addition, a review of the internal control system of the Group including the findings shown in the Final Investigation Report by an internal control advisor is in progress. Further announcement will be made by the Company as and when appropriate.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of annual results and annual report on the website of the Company and of the Stock Exchange

This annual results announcement, required by Appendix 16 of the Listing Rules, is published on the website of the Company (www.dynasty-wines.com) and the Stock Exchange.

The annual report of the Company for the year ended 31 December 2014, which contains the detailed results and other information of the Company for the year ended 31 December 2014 required pursuant to Appendix 16 of the Listing Rules will be dispatched to Shareholders and published on the website of the Company (www.dynasty-wines.com) and the Stock Exchange in due course. Further announcement will be made by the Company as and when appropriate.

Annual general meeting

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.

Acknowledgement

I would like to take this opportunity to acknowledge the support of my Board members and to commend them for their sage guidance and the enthusiasm they have demonstrated.

I would also like to express my sincere gratitude to our valued shareholders, customers, distributors, grape growers, suppliers, business associates and all other stakeholders who have supported us through the years.

Thanks also must go to our staff and the management team who have shown great dedication and teamwork throughout these difficult times.

Suspension of trading

At the Company's request, trading in the Shares was suspended from 9:00 a.m. on 22 March 2013, and will remain suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. The publication of this announcement does not warrant any approval from the Stock Exchange on the resumption of trading of the Shares. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.

By order of the Board
Mr. Hao Feifei
Chairman

Hong Kong,
8 December 2017

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Hao Feifei, Mr. Yin Jitai 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.