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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Dynasty Fine Wines Group Limited (the "**Company**") announces herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018, prepared on the basis set out in Note 2 below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	3	**302,333**	344,933
Cost of sales of goods	4	**(224,284)**	(251,877)
Gross profit		**78,049**	93,056
Distribution costs	4	**(76,853)**	(79,629)
Administrative expenses	4	**(74,550)**	(85,415)
Net impairment losses on financial assets	4	**1,782**	(1,388)
Other income, other gains and losses – net	5	**5,031**	1,850
Operating loss		**(66,541)**	(71,526)
Finance income	6	**1,984**	410
Finance costs	6	**(4,687)**	(8,056)
Finance costs – net	6	**(2,703)**	(7,646)
Loss before income tax		**(69,244)**	(79,172)
Income tax expense	7	**(64)**	(71)
Loss for the year		**(69,308)**	(79,243)
Loss attributable to:			
Owners of the Company		**(72,943)**	(78,668)
Non-controlling interests		**3,635**	(575)
		(69,308)	(79,243)
		HK$ cents	*HK$ cents*
Loss per share attributable to the owners of the Company			
– Basic and diluted loss per share	9	**(5.84)**	(6.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(69,308)**	(79,243)
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(3,121)**	(10,993)
Total comprehensive loss for the year	**(72,429)**	(90,236)
Total comprehensive loss for the year is attributable to:		
– Owners of the Company	**(75,756)**	(88,966)
– Non-controlling interests	**3,327**	(1,270)
	(72,429)	(90,236)

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**71,309**	79,810
Land use rights		**–**	17,816
Right-of-use assets		**20,460**	–
Investment in an associate		**–**	–
Deferred income tax assets		**–**	–
Total non-current assets		**91,769**	97,626
Current assets			
Trade receivables	*10*	**38,748**	28,964
Notes receivable	*11*	**29,868**	8,354
Other receivables	*10*	**8,917**	10,575
Prepayments	*10*	**95,248**	13,298
Inventories		**289,747**	337,052
Cash and cash equivalents		**157,932**	81,341
		620,460	479,584
Assets classified as held for sale	*12*	**178,068**	182,051
Total current assets		**798,528**	661,635
Total assets		**890,297**	759,261

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,001**	–
Current liabilities			
Trade payables	*13*	**100,598**	106,030
Contract liabilities	*14*	**66,028**	83,850
Advance received for disposal of chateau assets	*12*	**446,528**	–
Other payables and accruals	*13*	**188,779**	190,396
Provisions for contingent liabilities	*15*	**1,961**	–
Borrowings	*16*	**–**	223,830
Lease liabilities		**2,676**	–
Total current liabilities		**806,570**	604,106
Total liabilities		**807,571**	604,106
EQUITY			
Equity attributable to owners of the Company			
Share capital		**124,820**	124,820
Other reserves		**1,144,819**	1,147,632
Accumulated losses		**(1,203,979)**	(1,131,036)
Capital and reserves attributable to owners of the Company		**65,660**	141,416
Non-controlling interests		**17,066**	13,739
Total equity		**82,726**	155,155
Total equity and liabilities		**890,297**	759,261

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 Rooms E and F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding entity and the principal activities of the subsidiaries are manufacturing and sales of wine products.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

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

(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 ("**HKCO**") Cap. 622.

(ii) Historical cost convention

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

(iii) Going concern

As at 31 December 2019, the Group's current liabilities exceeded its current assets by HK$8.04 million. The Group's loss and net cash outflow from operating activities for the year ended 31 December 2019 were HK$69.3 million and HK$46.8 million respectively. These indicate a doubt about the ability of the Group to continue as a going concern. The directors of the Company (the "**Directors**") are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2019, based on the following factors:

- As at 31 December 2019, the current liabilities included the receipt of the proceed in advance from the disposal of its chateau and related facilities. The receipt in advance was amounted to RMB400 million (equivalent to HK$446.5 million) and the transaction was completed in January 2020;

- The major shareholder of the Company, Tsinlien Group Company Limited (hereafter "**Tsinlien Group**"), has issued a letter confirming its intention that Tsinlien Group will not demand for the Group to repay the balance due to Tsinlien Group amounting to HK$42.4 million in the next twelve months from 1 January 2020; and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iii) Going concern (continued)

- The ultimate controlling party of Tsinlien Group, Tianjin Tsinlien Investment Holding Co., Ltd. (hereafter "**Tsinlien Investment**"), has also 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 1 January 2020.

(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 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group also elected to adopt the following amendments early.

- Definition of Material – Amendments to HKAS 1 and HKAS 8

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

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted-average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 is 4.75%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(i) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**8,663**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**7,983**
Less: Short-term leases not recognised as a liability	**(5,296)**
Lease liabilities recognised as at 1 January 2019	**2,687**
Of which are:	
Current lease liabilities	**1,599**
Non-current lease liabilities	**1,088**
	2,687

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019	**Additions**	**Amortisation charge**	**Exchange differences**	**31 December 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Land use rights	17,816	–	(472)	(385)	16,959
Buildings	2,687	3,927	(3,019)	(94)	3,501
Total right-of-use assets	20,503	3,927	(3,491)	(479)	20,460

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets − increase by HK$20,503,000
- land use rights − decrease by HK$17,816,000
- lease liabilities − increase by HK$2,687,000

There was no impact on retained earnings on 1 January 2019 upon applying HKFRS 16.

3 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 ice wine. The executive directors assess the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

	Red wines	**White wines**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2019				
Revenue from contracts with customers	**221,097**	**76,164**	**5,072**	**302,333**
Gross profit	**54,883**	**19,653**	**3,513**	**78,049**
Impairment allowance of inventories	**(3,088)**	**(1,064)**	**(71)**	**(4,223)**
Depreciation	**(9,086)**	**(3,130)**	**(208)**	**(12,424)**
Reversal of impairment losses on financial assets	**1,303**	**449**	**30**	**1,782**
For the year ended 31 December 2018				
Revenue from contracts with customers	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)

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

	2019	2018
	HK$'000	*HK$'000*
Gross profit for reportable segments	**78,049**	93,056
Other income, other gains and losses – net	**5,031**	1,850
Distribution costs	**(76,853)**	(79,629)
Administrative expenses	**(74,550)**	(85,415)
Net impairment losses on financial assets	**1,782**	(1,388)
Operating loss	**(66,541)**	(71,526)
Finance costs – net	**(2,703)**	(7,646)
Loss before income tax	**(69,244)**	(79,172)

3 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 (2018 – Nil) with whom transactions have exceeded 10% of the Group's revenues.

The majority of sales of the Group were made within the People's Republic of China (the "**PRC**").

4 EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Raw materials and consumables used	**108,254**	59,350
Changes in inventories of finished goods and work in progress	**38,460**	119,048
Processing and assembling expenses	**3,821**	2,816
Advertising, marketing, and other incidental promotion expenses	**16,059**	7,745
Consumption tax of domestic sales and other taxes	**26,027**	31,800
Employee benefit expenses	**96,274**	106,242
Storage expenses	**7,599**	12,754
Transportation	**11,332**	11,668
Travelling expenses	**4,345**	4,297
Depreciation of property, plant and equipment	**8,933**	9,946
Amortisation of intangible assets	**–**	485
Depreciation of right-of-use assets	**3,491**	–
Consultancy and professional fee	**11,122**	9,975
Operating lease payments	**2,180**	5,159
Maintenance expense	**3,402**	2,107
Auditors' remuneration	**3,386**	5,840
Impairment allowance of inventories	**4,223**	794
Other expenses	**26,779**	26,895
(Reversal of)/provision for impairment losses of financial assets	**(1,782)**	1,388
Total cost of sales of goods, distribution costs, administrative expenses and net impairment losses on financial assets	**373,905**	418,309

5 OTHER INCOME, OTHER GAINS AND LOSSES – NET

	2019	2018
	HK$'000	*HK$'000*
Compensation received for inventory loss *(Note (a))*	**4,768**	–
Gain on disposal of obsolete products, net *(Note (b))*	**1,645**	–
Government grants	**917**	351
Service income	**–**	239
(Loss)/gain on disposal of property, plant and equipment, net	**(71)**	153
Compensation to suppliers related to contractual obligation for purchasing raw wines *(Note (c))*	**(1,146)**	–
Provision for potential compensation to employees *(Note 15)*	**(1,983)**	–
Others	**901**	1,107
	5,031	1,850

Notes:

(a) As announced by the Company on 8 August 2018, a subsidiary of the Company filed a civil claim against a distributor which bypassed the established procedures and took the Group's products with estimated sales values of HK$16.11 million and costs of HK$7.18 million. The Group has made a full impairment allowance against the lost inventories in 2017. In 2019, the subsidiary received the compensation with total value of about HK$4.77 million by judgement of the court, in the forms of cash, a residential property and certain physical assets.

(b) During 2019, two of the Group's subsidiaries disposed obsolete products totaling 14.5 million bottles to a third party at a total price of HK$1,645,000. The related products had been fully impaired in previous years.

(c) 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 contract signed in May 2015. According to the first-instance judgement of Tianjin Beichen District People's Court on 2 December 2019, the Group should honour the commitment to buy the raw wine amounted to HK$5,931,000. A total loss amounted to HK$1,146,000 was resulted from this lawsuit to the Group.

6 FINANCE COSTS – NET

	2019	2018
	HK$'000	*HK$'000*
Finance income – interest income	**1,984**	410
Finance costs – interest paid for lease liabilities	**(204)**	–
Finance costs – interest expense on bank borrowings	**(4,483)**	(8,056)
Finance costs – net	**(2,703)**	(7,646)

7 INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax	**64**	71
Deferred income tax	**–**	–
Income tax expense	**64**	71

8 DIVIDENDS

No dividend was declared or paid in 2019 and 2018.

9 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.

	2019	2018
Loss attributable to owners of the Company *(HK$'000)*	**(72,943)**	(78,668)
Weighted-average number of ordinary shares in issue *('000)*	**1,248,200**	1,248,200
Loss attributable to the ordinary equity holders of the Company *(HK$ cents)*	**(5.84)**	(6.30)

9 LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

The Group had no dilutive instruments during the years ended 31 December 2019 and 2018 and the Group's diluted loss per share equal to its basic loss per share for the years ended 31 December 2019 and 2018.

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**56,632**	48,380
Bad debts provision for trade receivables	**(17,884)**	(19,416)
Trade receivables – net	**38,748**	28,964

The Group grants a credit period of 90 days (2018 – 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 90 days	**30,781**	25,972
More than 30 days past due	**7,402**	2,542
More than 90 days past due	**1,039**	641
More than 270 days past due	**17,410**	19,225
	56,632	48,380

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi ("**RMB**").

(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. The loss allowance decreased by HK$1,532,000 to HK$17,884,000 during the current reporting period.

10 TRADE 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.

	2019	2018
	HK$'000	*HK$'000*
Loan to related parties	**5,582**	5,706
Deposits paid	**4,098**	4,088
Taxes to be offset	**3,255**	4,975
Advance of promotion expense *(Note (i))*	**2,791**	2,853
Cash advance to employees	**200**	651
Other receivables	**4,622**	4,183
	20,548	22,456
Less: Loss allowance for other receivables	**(11,631)**	(11,881)
	8,917	10,575

Notes:

(i) The advance of promotion expense to distributors will be recovered if the distributors 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) Prepayments

	2019	2018
	HK$'000	*HK$'000*
Prepayments to		
– third parties *(Note)*	**88,059**	3,042
– related parties	**7,189**	10,256
	95,248	13,298

Note:

Prepayments to relevant taxes and transaction fee of transferring the Chateau are HK$84,573,000 and HK$2,178,000 respectively.

11 NOTES RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Bank acceptance bill	**29,868**	8,354

As of 31 December 2019 and 2018, notes receivable amounted to HK$29,868,000 and HK$8,354,000 were all bank acceptance notes with maturity date within 6 months and are classified as financial assets at FVOCI.

12 ASSETS CLASSIFIED AS HELD FOR SALE

	2019	2018
	HK$'000	*HK$'000*
Assets held for sale – Chateau and facilities		
Buildings	**145,421**	148,674
Land use right	**32,647**	33,377
	178,068	182,051

On 23 July 2018, a subsidiary of the Company named Sino-French Joint-Venture Dynasty Winery Ltd. ("**Dynasty Tianjin**") entered into an Asset Transaction Agreement with the third party (the "**Buyer**") to dispose land use rights and aboveground buildings covering a chateau and the related facilities of Dynasty Tianjin to the Buyer at a total consideration of RMB400 million (the "**Disposal**").

Dynasty Tianjin received the consideration of RMB400 million (equivalent to HK$446.5 million) on 16 May 2019. As at 31 December 2019, the consideration received was recorded as a current liability and this transaction has been completed on 23 January 2020.

The change in the assets balance in the year ended 31 December 2019 was the exchange translation difference.

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**100,598**	106,030
Other payables and accruals		
– Accruals for sales promotion expenditures	**56,307**	41,690
– Amount due to Tsinlien Group	**42,404**	42,404
– Other tax payables	**10,931**	8,042
– Payroll payable	**6,364**	5,890
– Others	**72,773**	92,370
	188,779	190,396
	289,377	296,426

Notes:

(a) Trade payables are unsecured and are usually paid within 90 days of recognition.

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

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**55,370**	31,418
31–90 days	**2,263**	19,583
91–180 days	**2,227**	3,147
Over 180 days	**40,738**	51,882
	100,598	106,030

14 CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
Advance received from distributors	**66,028**	83,850

15 PROVISIONS FOR CONTINGENT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
Provision for potential compensation to employees	**1,961**	–

In December 2019, four employees of the Group lodged a labour arbitration to Tianjin Beichen District Labour Dispute Arbitration Committee against two subsidiaries of the Company for claiming a total compensation of RMB3.5 million regarding the terminations of their employment contracts, which were for the purpose of changing their employment to other subsidiaries within the Group. Up to the date of this announcement, this arbitration was still in progress. Based on the understanding of the related laws and regulations and the consultation with an external legal counsel, the Directors are of the view that the potential compensation amount is not likely to be higher than RMB1.76 million (equivalent to HK$1.96 million). Therefore, a provision for this contingent liability was made.

16 BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Entrusted bank borrowings	**–**	216,845
Financial liability due to a bank	**–**	4,794
Other borrowings	**–**	2,191
	–	223,830

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's revenue for the year ended 31 December 2019 decreased by 12% to HK$302.3 million (2018 − HK$344.9 million) and the Group's loss attributable to owners of the Company was HK$72.9 million (2018 − HK$78.7 million), representing a decrease of 7%.

Loss per share of the Company ("**Share**") was HK5.84 cents per Share (2018 − HK6.30 cents per Share) based on the weighted average number of 1,248 million Shares (2018 − 1,248 million Shares) in issue during the year. There was no potential dilutive Share for the year ended 31 December 2019.

The loss attributable to owners of the Company in 2019 was primarily attributable to the drop in revenue and gross profit. Such decrease in loss was mainly contributed by the increase in costs and expenses savings such as employee benefit expenses and storage expenses.

Financial review

Revenue

Revenue of the Group represents proceeds from sale of wine products. The Group's total revenue decreased from approximately HK$344.9 million in 2018 by 12% to approximately HK$302.3 million in 2019. The decrease in revenue was mainly attributable to economic growth slowdown in the PRC, as well as impact of decrease in sales in imported wines and increase in reimbursement of marketing expenses to distributors during the year.

The Group's average ex-factory sales price of red and white wine products under the 'Dynasty' brand (in RMB) during the year remained stable. 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-factory sales price of the Group's red wines was 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:

	2019	2018
	%	*%*
Cost of raw materials		
– Grapes and grape juice	**43**	44
– Yeast and additives	**2**	2
– Packaging materials	**20**	20
– Others	**1**	1
Total cost of raw materials	**66**	67
Manufacturing overheads	**26**	25
Consumption tax and other taxes	**8**	8
Total cost of sales	**100**	100

The principal raw materials required by the Group in producing grapes and 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 43% of the Group's total cost of sales, and remained stable during the year as compared to 2018.

Manufacturing overheads primarily consist of depreciation, 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 cost of sales slightly increased as compared with 2018 as a result of the increase in repair and maintenance costs and utility charges.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross sales. The overall gross profit margin mildly decreased to 26% in 2019 from 27% in 2018, mainly as a result of an increase in impairment allowance of inventories.

The gross margin of red wine products and white wine products in 2019 were 25% and 26% respectively (2018 – 26% and 27% respectively).

Other income, other gains and losses – net

Other income, other gains and losses mainly comprises of gain on disposal of obsolete products, government subsidies related to enterprise development, and compensation.

Other income, other gains and losses for the year ended 31 December 2019 represented a net gain of HK$5.0 million (2018 – gain of HK$1.9 million). The increase was mainly due to compensation received for inventory loss of approximately HK$4.8 million.

Distribution costs

Distribution costs principally include advertising and market promotion expenses, transportation and storage 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 25% (2018 – 23%) of the Group's revenue, mainly as a result of the strengthening investment in brand building and sales and marketing reform through mass-scale promotion campaign. 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 its 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, legal and professional fee, depreciation and amortisation expenses, impairment allowance and other incidental administrative expenses.

During the year, administrative expenses accounted for approximately 25% (2018 – 25%) of the Group's revenue. This percentage remained stable as comparing to 2018.

Finance costs – net

During the year, decrease in finance costs – net to HK$2.7 million (2018 – HK$7.6 million) was mainly due to decrease in interest expense on bank borrowings as a result of full repayment of borrowings and increase in bank interest income.

Income tax expense

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Provision for the PRC Enterprise Income Tax was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries operated in the PRC.

Cash flow

In 2019, investing activities were the Group's main source of cash inflow.

The decrease in net cash outflow from operating activities from approximately HK$93.1 million in 2018 to approximately HK$46.8 million in 2019 was mainly attributable to decrease in cash used in changes of working capital during the year.

The change in net cash inflow in investing activities amounted to approximately HK$357.6 million from net cash outflow of approximately HK$1.5 million in 2018 was mainly due to receipt of consideration from the sale of chateau assets and payment for taxes and expenses relating to the sale of chateau assets during the year.

The change in net cash outflow from financing activities of approximately HK$229.3 million (2018 – net cash inflow of approximately HK$90.9 million) was primarily attributable to the increase in net repayment of borrowings of approximately HK$221.6 million (2018 – net proceeds from borrowings of HK$97.2 million) during the year.

Financial management and treasury policy

As at 31 December 2019, the Group's revenue, 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, US dollars or Hong Kong dollars) with authorised financial institutions. 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 all borrowings at fixed rates during the year, 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.

Business review

Sales analysis

A) Distributorship

Though the decrease in revenue in the year partly attributed to the slowdown of nationwide economic growth, 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 reform remained in progress throughout the year.

The total number of bottles of wine sold remained stable at approximately 13.6 million in 2019. Sales of red wines continued to be the Group's primary revenue contributor accounted for approximately 73% of the Group's revenue for the year (2018 – 76%).

The Group produced 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 mass-market segments in the PRC wine market. During the year, in addition to the new high-end product "Dynasty Air Dry Red Wine" series released in April, the Group debuted its mid-range product Dynasty "Classic" wine series in July. The new series is currently positioned as table wines to be served at standard banquets of Chinese people. 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, Austria, Australia, New Zealand, 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 sells about 110 imported products under approximately 20 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 increasingly important in the PRC. The Group kept and strengthened cooperation with distributors to operate online stores on the e-commerce platforms, Tmall (天貓商城) and JD.com (京東商城), and also to develop new online flagship store on Pinduoduo (拼多多) platform and new distribution line on Tmall Mart (天猫超市) to further expand its sales channels and build up a new customer base within the year. The Group strategically plans and continues putting resources for future improvement of the online sales channels and optimization of online stores interface so as to capture the change of customer consumption behavior in the PRC. During the year, the Group also offered series of new products through launching exclusive online products on an e-commerce platform and strengthened the price management of online sales of old products. Although the online sales contribution was not material to the Group during the year, the Group is optimistic about the prospects of the business. 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.

Sales and marketing reform

During the year, the Group launched a new sales and marketing reform, which encompassed promoting two upgrades, namely product upgrade and brand upgrade, form the third-tier markets, i.e. the core market, key market and potential market and taking the four management measures. Such measures included i) enhancing expansion and control of the online channel, such as developing new channels and launching new products; ii) launch of Mass-scale Marketing Campaign including showcasing in retail shops, hosting wine tasting events and organising plant visits to strengthen the closer bonds with customers; iii) accelerating the standardisation of the markets; and iv) exploring new distributors and update existing distributors to strengthen cooperation with them. The Group aims to build a new and dynamic brand image among clients and consumers.

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 the quality requirements and conducts thorough tests on their grape juices before orders are placed. These procedures ensure the Group procure quality grape and grape juice supplies and also minimise the effect of bad harvests interrupting production. The Group had imported grape juices from overseas, applying the same stringent quality requirements as it had on suppliers in the PRC.

Production capacity

In 2019, the Group had production and research and development facilities in its Tianjin winery with its annual production capacity of 70,000 tonnes (2018 – 70,000 tonnes) (equivalent to approximately 93.3 million bottles).

After completion of the Disposal in January 2020, the Group's annual production capacity decreased from 70,000 tonnes to 50,000 tonnes. Such capacity is sufficient for the Group to promptly response to the market demand and provides a platform for sustainable earnings growth.

Prospects and future plans

Looking ahead to 2020, the Group expects to continue to face various challenges from fast-changing economic conditions, and the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in the PRC and opportunities from an increasing trend of domestic consumption backed by the government support. Going forward, the Group will continue to intensify the sales and marketing reform and launch new and customised products, targeting different group of customers and expanding its customer base, and develop proactively its sales and distributors network especially in regions where it has low market presence and areas of high potential for growth, which will provide a solid foundation for sustainable development in the future.

The Group will continue to closely monitor the market situation and continuously evaluate the impact of the COVID-19 outbreak on the Group's operations and financial performance. The Group estimates that in light of the current special circumstances, the financial performance of the Group may be affected by the COVID-19 outbreak, especially in the first half of 2020. The Company believes that the Group and its management and employees will continue to work as a whole to cope with the situation, backed by our solid foundation. The Group is proactively diverging its sales to its e-commerce platforms to relieve the impact of the COVID-19 outbreak. The Group will also strengthen cost control and adopt appropriate measures in a timely manner. The Board and the management believe that the current adversity is short term, and still have confidence in the long term development of 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 390 (including directors) (2018 – 435) in Hong Kong and the PRC as at 31 December 2019. The decrease in manpower was 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 2019 amounted to approximately HK$96.3 million (2018 – HK$106.2 million).

Liquidity and financial resources

The liquidity and financial position of the Group remained solid as the Group continued to adopt a prudent approach in managing its financial resources. As at 31 December 2019, the Group's cash and short-term deposits amounted to HK$157.5 million (2018 – HK$81.0 million). The increase was mainly due to the receipt of consideration from the sale of chateau assets. It has a sufficient resources and an adequate cash position for ensuring solvency and 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.

Capital structure

The Group had no borrowing (2018 – borrowing of HK$223.8 million) and with cash and liquidity position of HK$157.5 million (2018 – HK$81.0 million) as at 31 December 2019, reflecting its sound capital structure. The Group expects its cash and financial support from Tianjin Tsinlien Investment Holding Co., Ltd, the holding company of the Company's major shareholder to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

The Group also monitors capital on the basis of the liability-to-asset ratio. As at 31 December 2019, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 91% (2018 – 80%).

After completion of the Disposal, the Group's gearing ratio is expected to be decreased to a certain sound level.

Litigation investigation report

During the year, the audit committee of the Company (the "**Audit Committee**") has conducted an internal investigation (the "**Litigation Investigation**") with the assistance of its legal advisers and a professional third party (the "**Investigator**") in relation to a claim lodged by the Group for the amount of approximately RMB14.0 million (equivalent to approximately HK$16.1 million) (the "**Claim**").

The Litigation Investigation was conducted to understand the matters leading to the Claim and the involvement of the relevant individuals, to evaluate possible impact on the Group's consolidated financial statements, and to identify any potential weaknesses in internal controls. The review period covers from 1 October 2017 to 30 June 2018.

The Company issued an announcement on 25 July 2019 setting out, among other things, the summary of the report on the Litigation Investigation dated 19 June 2019 (the "**Litigation Investigation Report**") prepared by the Investigator, the Audit Committee's view and the Board's view on the Litigation Investigation Report.

Fulfilment of all resumption conditions and resumption of trading

Trading in the Shares on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") has been suspended with effect from 9:00 a.m. on 22 March 2013. As all the resumption conditions have been fulfilled, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 29 July 2019. Please refer to the Company's announcement dated 26 July 2019 for details.

As at 31 December 2019, the market capitalisation of the Company was approximately HK$406 million.

Capital commitments, contingencies and charges on assets

As at 31 December 2019, there was capital expenditure contracted for in relation to equipment – labelling machine of HK$391,000 (2018 – nil) but not yet incurred and no charges on assets.

The Group had contingent liabilities in relation to a labour arbitration. In December 2019, four employees of the Group lodged a labour arbitration to Tianjin Beichen District Labour Dispute Arbitration Committee against two subsidiaries of the Company for claiming a total compensation of RMB3.5 million regarding the terminations of their employment contracts, which were for the purpose of changing their employment to other subsidiaries within the Group. Up to the date of this announcement, this arbitration was still in progress. Based on the understanding of the related laws and regulations and the consultation with an external legal counsel, the Directors are of the view that the potential compensation amount is not likely to be higher than RMB1.76 million (equivalent to HK$1.96 million). Therefore, a provision for this contingent liability was made.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the year ended 31 December 2019, the Group had not made any material acquisitions or disposal of subsidiaries, associates or joint ventures.

Disposal of Chateau assets

On 23 July 2018, Dynasty Tianjin formally entered into an Asset Transaction Agreement with the Buyer to dispose the land use rights and the buildings in relation to the chateau and the related facilities at the consideration of RMB400 million. The Disposal was approved by the shareholders of the Company at the extraordinary general meeting held on 5 December 2018. On 16 May 2019, Dynasty Tianjin received the consideration of RMB400 million from the Buyer through Tianjin Property Rights Transaction Centre. As at 31 December 2019, the consideration received was recorded as a current liability, and this transaction has been completed on 23 January 2020.

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 and overseas companies in the wine industry, and also finds that an increasing number of imported wines competitors entering the markets, while local competitors grab the market with lower selling prices and counterfeit wines. To maintain the Group's competitiveness, it continues to strengthen brand value, quality of products and research and development to launch new products or products with distinctive characteristics, such as festival featured products to diversity product mix.

3. Operational risks

The production lines of the Group have been in use for years, resulting in ageing of certain machines and a decline in productivity. Failure to respond effectively to the decline in capacity may affect the sales plan of the Group. The production department has continuously researched to upgrade the technology of the production lines and to introduce suitable equipment to enable the Group to maintain a high level of production so as to cater for the customers' demand.

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.

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 heating boiler, energy-saving transformers, 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, breach of financial reporting provisions and failure to hold annual general meetings; and non-compliance of Code Provision A4.2

of Appendix 14 to the Listing Rules, based on information available, the Directors took the view that during the year ended 31 December 2019, the Group was not aware of any non-compliance of the relevant laws and regulations that had a significant impact on the Group.

Event after the reporting period

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region.

The Directors have assessed that the COVID-19 outbreak may have the following possible impact to the Group:

- The temporary economic slowdown resulted from the COVID-19 outbreak may lead to a reduction in the overall consumption of wines in the market which might indirectly affecting the Group's financial performance.

- The Group might have to experience longer turnover time for recovering its trade receivables which may increase the associated credit risks.

The overall financial effect of the above cannot be reliably estimated as of the date of this announcement. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group accordingly. The related impact will be reflected in the Company's 2020 interim and annual consolidated financial statements.

Dividend

The Directors did not recommend the payment of any final dividend to the shareholders of the Company (the "**Shareholders**") for the year ended 31 December 2019.

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 ended 31 December 2019.

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 to the Listing Rules as the code of conduct 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 year ended 31 December 2019.

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 2019. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

1) During the year ended 31 December 2019 and up to the date of this announcement, 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. The Company has made best reasonable endeavours but still requires more time to identify suitable candidate.

2) On 19 July 2019, the Company published the annual reports for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 and interim reports for the six months ended 30 June 2013, 2014, 2015 and 2016. On 22 July 2019, the Company announced the annual results for the year ended 31 December 2017 and the interim results for the six months ended 30 June 2017 and 2018. On 23 July 2019, the Company announced the annual results for the year ended 31 December 2018. On 26 July 2019, the Company published the annual reports for the years ended 31 December 2017 and 2018 and interim reports for the six-month periods ended 30 June 2017 and 2018

   Prior to such publication, during the year ended 31 December 2019, as additional time was required by the Company to address the issues for 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) Rule 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 2017 and 2018 and for the six-month periods ended 30 June 2017 and 2018; (ii) publishing the related annual/interim reports for the years ended 31 December 2012, 2013, 2014, 2015, 2016, 2017 and 2018 and for the six-month periods ended 30 June 2013, 2014, 2015, 2016, 2017 and 2018; and (iii) failed to convene an annual general meeting for the financial years ended 31 December 2012, 2013, 2014, 2015, 2016, 2017 and 2018.

3) According to code provision A.4.2 of the Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of Mr. Sun Jun, Mr. Li Guanghe, Mr. Sun Yongjian, Ms. Shi Jing, Dr. Zhang Guowang and Mr. Sun David Lee was appointed to fill a casual vacancy subsequent to 30 May 2012, being the date of last annual general meeting of the Company, had not been re-elected by the shareholders at the next general meeting after their appointment held on 5 December 2018 in accordance with code provision A4.2 of the Code.

Mr. Heriard-Dubreuil Francois, Mr. Wong Ching Chung, Mr. Jean-Marie Laborde, Mr. Robert Luc and Mr. Yeung Ting Lap Derek Emory did not retire by rotation in accordance with code provision A.4.2 of the Code because no annual general meeting has been held by the Company since 30 May 2012.

The Company will arrange annual general meeting for re-election of Directors, which is expected no later than the end of June 2020; and inform the Shareholders in due course after the date of the forthcoming annual general meeting has been determined.

Audit Committee

During the year ended 31 December 2019, the Audit Committee comprised 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 2019 in conjunction with the Company's auditor and discussed the matters concerning the internal controls and risk management system of the Group.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement above 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 to the Listing Rules, is published on the websites of the Company (www.dynasty-wines.com) and the Stock Exchange.

The annual report of the Company for the year ended 31 December 2019, which contains the detailed results and other information of the Group for the year ended 31 December 2019 required pursuant to Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites 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 the 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.

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

By order of the Board
Mr. Sun Jun
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Sun Jun, Mr. Li Guanghe 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.