DYNASTY
Since 1980

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

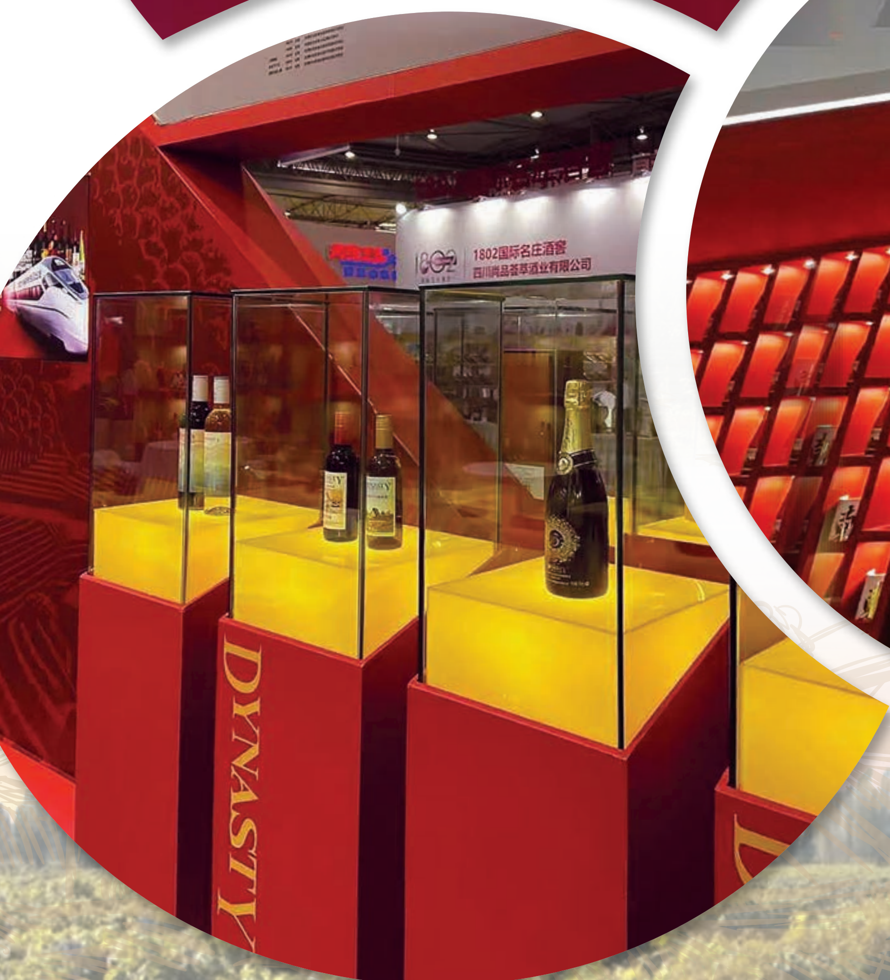
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00828

2022
Annual Report

DYNASTY
Since 1980

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



Contents

Corporate Profile

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

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

On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with the stock code 00828. Having strong support from our major shareholders – Tianjin Food Group Company Limited and Remy Cointreau, Dynasty keeps on providing all consumer strata high quality and "excellent value for money" wines. With enhanced facilities and continual marketing efforts, Dynasty is well positioned to capture the robust growth potential of the Chinese wine market. We will strive to restore to the glory of Dynasty for the future of all our stakeholders.

Financial Highlights

	2022 *HK$'000*	2021 *HK$'000*	Changes
Revenue from contracts with customers	**241,363**	305,950	-21%
Gross Profit	**92,353**	121,931	-24%
Profit attributable to owners of the Company	**16,333**	32,811	-50%

	2022	2021	Changes in percentage point
Gross profit margin	**38%**	40%	-2%

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. WAN Shoupeng(^)
Mr. HE Chongfu
Mr. HUANG Manyou(&)

Non-Executive Directors
Mr. HERIARD-DUBREUIL Francois
Mr. WONG Ching Chung(&)
Mr. ROBERT Luc

Independent Non-Executive Directors
Dr. ZHANG Guowang(#)(&)(^)
Mr. YEUNG Ting Lap Derek Emory(#)(&)(^)
Mr. SUN David Lee(#)(&)(^)

Audit committee members
& Remuneration committee members
^ Nomination committee members

COMPANY SECRETARY
Mr. HO Yiu Sum

AUTHORISED REPRESENTATIVES
Mr. HUANG Manyou
Mr. HO Yiu Sum

LEGAL ADVISERS

Hong Kong
K&L Gates

Cayman Islands
Conyers Dill & Pearman, Cayman

The People's Republic of China
China Commercial (Tianjin) Law Firm

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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

PRINCIPAL PLACE OF BUSINESS

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

Tianjin Office
No. 29 Jinwei Road, Beichen District
Tianjin City, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS
China Merchants Bank
China Everbright Bank
Industrial and Commercial Bank of China
Bank of China

INVESTOR RELATIONS CONSULTANT
Strategic Financial Relations (China) Limited

COMPANY WEBSITE
http://www.dynasty-wines.com

ONLINE SALES WEBSITE
https://mall.jd.com/index-11805161.html
(王朝葡萄酒旗艦店 — 京東) (P.R.C.)

https://m.tb.cn/h.UtCbPqm
(王朝葡萄酒旗艦店 — 天貓) (P.R.C.)

Pinduoduo (拼多多) (P.R.C.)

https://www.dynasty-winesshop.com (H.K.)

SHARE INFORMATION

Listing date	26 January 2005
Stock short name	Dynasty Wines
Nominal value	HK$0.1
Number of issued Shares	As at 31 December 2022 1,248,200,000 Shares
Board lot	2,000 Shares

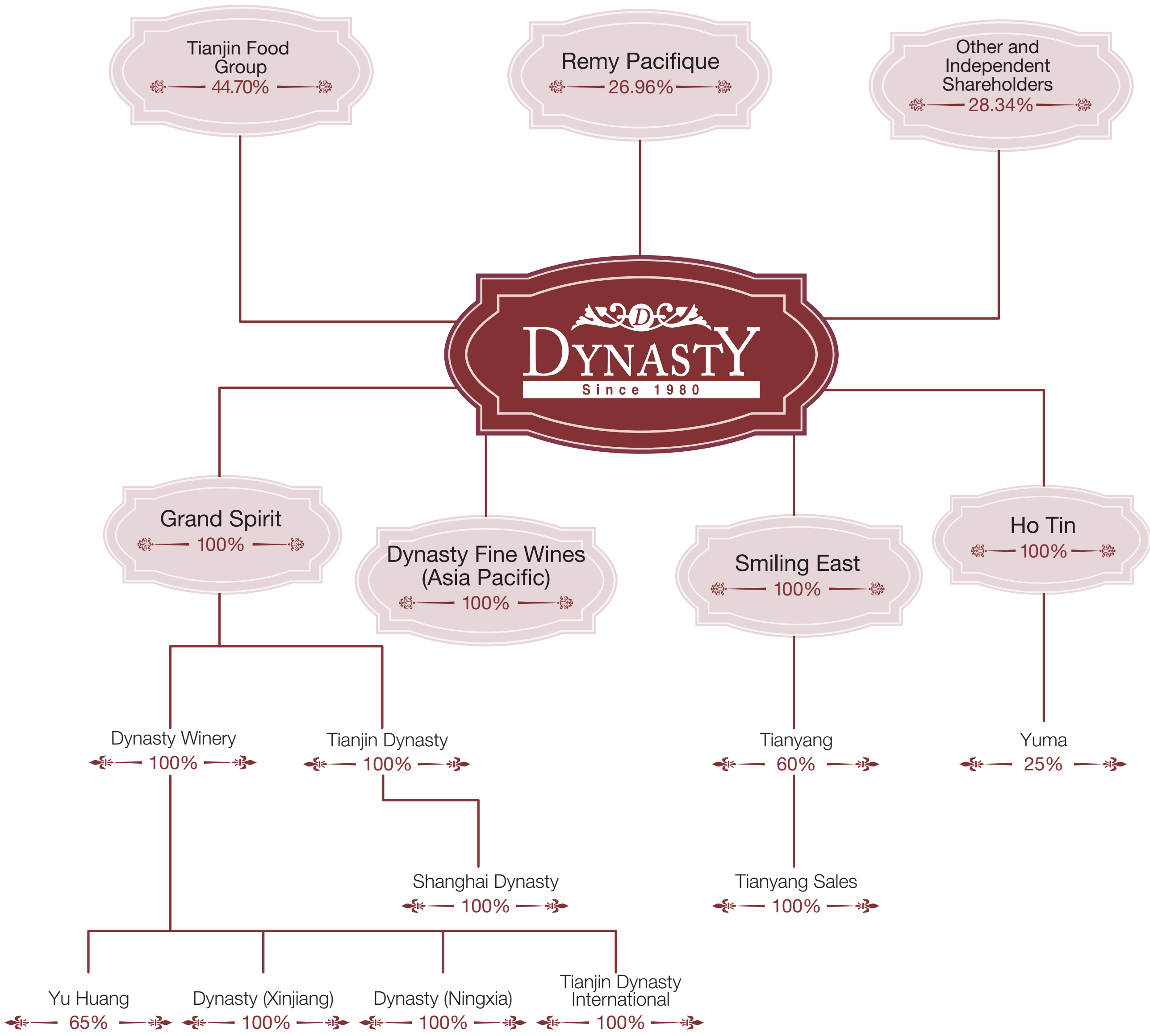
STOCK CODE

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

FINANCIAL YEAR END DATE
31 December

Corporate Structure

As at 31 December 2022



OVERVIEW

The revenue of Dynasty Fine Wines Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 decreased by 21% to HK$$241.4 million (2021 – HK$306.0 million) and the Group's profit attributable to owners of the Company decreased to HK$$16.3 million (2021 – HK$32.8 million).

Earnings per share of the Company (the "**Share**") was HK$1.31 cents per Share (2021 – HK$2.63 cents per Share) based on the weighted average number of 1,248 million Shares (2021 – 1,248 million Shares) in issue during the year. There was no potential dilutive Share for the year ended 31 December 2022.

The decrease in profit attributable to the owners of the Company in 2022 was mainly attributable to drop in gross profit resulting from a decrease in the revenue of the Group for the year. The decrease in revenue was primarily due to i) control and lockdown measures imposed on consuming places as a result of the resurgence of the novel coronavirus pneumonia ("**COVID**") in various cities in the People's Republic of China (the "**PRC**"); and ii) adverse impact of the COVID pandemic on consumer sentiment in 2022.

BUSINESS REVIEW

Sales analysis

A) Distributorship

For the year ended 31 December 2022, the decrease in revenue was primarily due to:

(a) control and lockdown measures imposed on consuming places as a result of the resurgence of COVID in various cities in the PRC, distribution of wine products was reduced with consumption scenario; and;

(b) adverse impact of the COVID pandemic, coupling with slowdown of economy, on consumer sentiment.

During the year, the Group continued in implementing a sales and marketing reform, as well as product and channel strategies. Following the relaxation of control and lockdown measures, the Group pressed ahead with its marketing campaign showcasing shops, hosting wine tasting events and organising plant visits, so as to keep developing and enhancing its point-of-sale network. The Group held its tasting and business events in February, June and November 2022, during which the Group actively promoted its latest product mix that covered all product lines, and received enthusiastic market response.

The Group has been actively pursuing innovation, embracing the "5+4+N" product strategy, with "N" standing for developing various customised products and continuously creating new products to meet the diverse needs of different Chinese consumer groups. During the year, the Group launched another round of product upgrade. The product upgrade in 2022 entailed the launch of new products more convenient to enjoy, young and chic. Such product upgrade also agreed to the trend of supporting domestic products, with an aim to invigorating the brand, strengthening the deployment of products for young consumers, as well as consolidating the image of Dynasty as a representative domestic grape wine brand.

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, the Group launched new medium to high-end products, i.e. Dynasty Chinese Zodiac Commemorative Dry Red Wine for the Ren Yin Year of Tiger, integrating the high quality with the Chinese zodiac culture and the leading rise of Chinese-style fashionable products, and Starlight (星耀) and Years (年華) series targeting at regional customers.

A grape wine series of entry-level prices, Pleasant Color (怡色) targeting at young consumers has been well received since its debut last year. During the year, a gift box had been created for the collection, making it an ideal gift option for gatherings with family and friends, and for festive celebrations. In addition, the ready-to-drink series is designed to be easy to pair and goes well with hot pot, fusion and private kitchen dishes etc., thus is popular among the younger generations. With such attributes and support of new media marketing on social media platforms including RED (小紅書app), Kuai (快手app), TikTok (抖音app) and Weibo, the series has ever become a hot choice on the Internet.

During the year, the Group also had launched the innovative 373ml and 180ml Dynasty dry red and semi-dry white series, to tap into the young consumer market. Unlike the traditional 750ml bottles the Group offers, the new sizes come with screw caps to make them more convenient to enjoy and better suit the lifestyle of the younger generations "Enjoy the wines anytime, anywhere". The 180ml wine comes in boxes of six, giving the younger generations another choice of drinks in gatherings on top of beers. As for the 373ml size, with online-to-offline (O2O) platform support, consumers can scan the product QR code and get rewards, thus not only promoting interaction between consumers and the brand, but also giving consumers direct benefits and surprise offers, and ultimately allowing Dynasty's products to reach wider consumer groups.

The Group also held its new products tasting and business fair events, and took part in the 106th and 107th China Food & Drinks Fair held in Chengdu in November 2022, during which the Group actively promoted its latest product mix that covered all product lines. These events received enthusiastic response from distributors.

Moreover, the Group sold chateau wine imported from France and other foreign branded wines 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 believes that the trend of increasing wealth and the disposable income of consumers for a medium-term, as well as the rise of Chinese-style fashion, would steadily benefit the demand of domestic-made Dynasty wines.

B) Online sales

The e-commerce team of the Group started insourcing to operate online stores on the traditional e-commerce platforms, such as JD.com (京東商城), Tmall (天貓商城) and Pinduoduo (拼多多) for product sales, as well as comprehensive innovation on its brand, product categories, and business systems, procedures and models via new retail platforms, including Weibo, RED (小紅書 app), Kuai (快手app) and TikTok (抖音app) other than cooperation with distributors during the year. Such efforts facilitated the Group's autonomous brand communications so that it could continue to gain the attention of mainstream consumer groups and demographic segments, and enhance effective market penetration of the Group's products targeted at young consumers. The e-commerce team also actively cultivate e-commerce live broadcasting talents to further expand its sales channels so as to build up a new customer base.

The Group strategically plans and continues putting resources for improvement of the online sales channels and optimisation of online stores interface so as to capture the change of customer consumption behavior in the PRC. During the year, apart from the existing exclusive products for e-commerce platforms, the Group had also been developing emerging marketing channels, such as live broadcasting, To strengthen brand awareness, the Group has launched a "Chinese style" edition showing its name in Chinese "王朝", to bring home its position as a domestic grape wine brand and also to attract mainstream e-commerce consumers who love domestic makes and favours. The Group promotes the series via e-commerce channels and, on top of presence on mainstream e-commerce platforms, efforts have been made to exploit new retail channels using such supplementary promotional means as live streaming or videos. The Group believes that the online platform not only serves as a business-to-customer trading platform between the Group and the consumers, but also an additional marketing and promotion channel for the brand. Thus, the platform should enhance the overall business potential of the Group.

Research and Technology

The Group is committed to maintaining high standard of research and technology which are essential to the sustainable growth of the Company. The post-doctoral work station in the National-level Technology Centre of the Group was set up for researching the selection of distinctive muscat yeast in order to brew more mellow and delicious wines. The centre has also set up a winemaking and wine tasting studio which has carried out rounds of wine introduction and tasting activities to date, with event focuses covering floral and fruit wine, sparkling wine, white wine, red wine and brandy. These activities have further broadened the professional competency of the studio staff and enable Dynasty's employees to gain a greater and in-depth understanding of wine products, so as to improve their technological and new product development capabilities. The new premises at the National-level Technology Centre opened in October 2021 further promote the Group's research and development of new products as well as new winemaking techniques.

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, Hebei, Ningxia and Xinjiang. Ensuring reliable supplies of quality grapes and grape juices to meet the production needs of the Group's growing business 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. To optimise the supply network, the Group kept identifying new suppliers that comply with the quality requirements, and the Group conducted thorough tests on their grape juices before orders were placed. These procedures ensure the Group to procure quality grapes and grape juice supplies and also minimise the effect of bad harvests interrupting production.

Following the master purchase agreement signed with Tianjin Food Group Company Limited ("**Tianjin Food**"), the controlling shareholder of the Company, which expired at the end of 2022, the procurement of grapes and grape juice (including unprocessed wines) from Tianjin Food not only maintained and stabilised the quality of grapes and grape juice (including unprocessed wines), but also reduced the Group's lead time and cost of transportation and storage. However, in the near future, the Group plans to reduce the related procurement and increase the direct sourcing of quality grapes harvested from Ningxia and Xinjiang regions, and processing of grape juices locally in accordance with the guidance and advices provided by the Group in the process of pressing which can also better ensure that the quality and freshness of grape juice (including unprocessed wines) meets the Group's standard.

Production capacity

As at the end of December 2022, the Group's annual production capacity maintained at 50,000 tonnes (2021 – 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 2023, the Group will focus on product quality, reinvent consumption scenarios and strive to guide market spending, while continuing to build Dynasty into a brand representative of Chinese wines and its wines into iconic products. The Group will also be persistent in meeting consumer demand by pursuing innovations for its wine series. Meanwhile, the Group will invest more resources in brand development to fully vitalise its brand and drive the development of its major products, with the aim of bringing Dynasty's superior wines to more consumers in the PRC.

As one of key players in domestic wine market in the PRC, the Group will further strengthen presence in Ningxia and Xinjiang to secure the supply of quality grapes and grape juice, and plan for the development of a winery nearby Eastern foot of Helan Mountain in Ningxia, integrating pressing, fermentation, processing, testing and research and development as a whole, with an annual production and processing capacity of 5,000 tonnes. The plan would be funded by the Group's internal resources and/or bank borrowings. The winery would become a new long-term and stable economic growth point of the Group and help the regional presence and layout of Dynasty wines, as well as in line with the overall planning and industry planning for the development of China's wine industry.

In view of the dismantlement of pandemic control measures in December 2022 and subsequent normalization of consumption activities in the PRC, the Board believes that business and sales of the Group will recover and resume growth in 2023, and the Group will continue to proactively develop the market, improve quality and boost sales volume, under the policy support for the expansion of consumption in the PRC.

On 17 March 2023, Mr. He Chongfu was appointed as executive Director and general manager of the Company in place of Mr. Li Guanghe who has tendered his resignation of above positions with effect from the same date. Save disclosed above, no significant events have taken place after the year ended 31 December 2022 to the date of this report.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents proceeds from sale of wine products. The Group's total revenue decreased from approximately HK$306.0 million in 2021 by 21% to approximately HK$$241.4 million in 2022. The drop in revenue was mainly attributable to the decrease in sales volume of products, especially middle to high end wine products during the year. Following the containment of COVID, the sales revenue improved and turned into a growth in the second half of the year, compared to sales downside in the first half of the year.

The Group's average ex-winery sales price of red and white wine products under the "Dynasty" brand during the year slightly increased. The total number of bottles of wine sold decreased to approximately 9.1 million in 2022 (2021 – approximately 11.9 million). With consumers' growing interest of white wine products of the Group, especially in coastal regions of the PRC, sales of white wine products transcended red wines products as the Group's primary revenue contributor for the first time, accounted for approximately 51% of the Group's revenue for the year (2021: 40%), demonstrated the Group's effort in capturing growth opportunities in the dry white wine market over the years.

Cost of sales of goods

The following table sets forth the major components of the cost of sales of goods (before impact of impairment allowance of inventories) for the year:

	2022 %	2021 %
Cost of raw materials		
– Grapes and grape juice	**46**	46
– Yeast and additives	**2**	2
– Packaging materials	**20**	21
– Others	**2**	1
Total cost of raw materials	**70**	70
Manufacturing overheads	**20**	19
Consumption tax and other taxes	**10**	11
Total cost of sales of goods	**100**	100

The principal raw materials required by the Group in producing wine products are 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 46% of the Group's total cost of sales, and remained stable as compared with 2021.

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 kept stable as compared with 2021.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross sales. The overall gross profit margin slightly decreased to 38% in 2022 (2021: 40%), mainly as a result of an adjustment in product sales mix to more medium-end mass market wines products.

The gross margin of red wine products and white wine products in 2022 were 32% and 44% respectively (2021 – 37% and 47% respectively).

Other income, other gains and losses – net

Other income, other gains and losses mainly comprises of write-off of payables with long ageing, and government grants related to enterprise development.

Other income, other gains and losses for the year ended 31 December 2022 represented a net gain of HK$9.3 million (2021 – approximately HK$8.0 million). The increase in net gain was mainly due to the write-off of payables with long ageing netting off with the decline in government grants and provision for compensation to employees during the year.

Distribution costs

Distribution costs principally include advertising and market promotion expenses, storage charges in connection with the sales of 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 18% (2021 – 16%) of the Group's revenue. The increase in distribution costs to revenue ratio was mainly due to reduced revenue in the year. 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 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, and other incidental administrative expenses.

During the year, administrative expenses as a percentage of the Group's revenue accounted for approximately 19% (2021 – 17%) of the Group's revenue. The increase in ratio was mainly attributable to reduced revenue during the year. The administrative expenses still recorded a decrease compared with 2021 primarily as a result of effective cost control measures and certain savings in travelling and office expenses.

Finance income – net

During the year, there was a decrease in finance income – net, which was mainly due to a decline in bank interest income compared with 2021.

Income tax expense

No provision for taxation in Hong Kong had 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 2022, operating activities were the Group's main source of cash outflow.

The change of cash flow from operating activities from net inflow of approximately HK$12.6 million in 2021 to net outflow of approximately HK$14.8 million in 2022 was mainly due to the drop in gross profits and increase in cash outflow from working capital during the year.

The decrease in net cash outflow in investing activities from approximately HK$4.6 million in 2021 to approximately HK$3.0 million in 2022 was mainly because of fewer purchase of machinery and improvement in facilities during the year.

The net cash outflow from financing activities decreased from approximately HK$2.1 million in 2021 to approximately HK$1.9 million in 2022 was primarily attributable to decline of lease payments during the year.

Financial management and treasury policy

For the year ended 31 December 2022, the Group's revenue, expenses, assets and liabilities were substantially denominated in RMB. The funding from the operations was placed on short-term deposits (denominated in RMB, US dollars or Hong Kong dollars) with authorized financial institutions. The Company would also pay dividends in Hong Kong dollars when dividends were declared, if any. 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 net cash position, the Group had no borrowings and 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 to achieve the highest practicable returns while heeding the need to preserve capital and assure liquidity.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial position of the Group remained solid as the Group continued to adopt a prudent approach in managing its financial resources. As at 31 December 2022, the Group's cash and short-term deposits amounted to HK$160.7 million (2021 – HK$196.1 million). The decrease was mainly attributable to settlement of trade and other payables during the year, as well as the effect of exchange rate changes on cash and cash equivalents.

It has sufficient financial resources and 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, borrowings or proceeds from issue of Shares, if any.

CAPITAL STRUCTURE

The Group had cash and liquidity position of HK$160.7 million (2021 – HK$196.1 million) as at 31 December 2022, reflecting its sound capital structure. The Group expects its cash to be sufficient to support its operating and capital expenditure requirements in the foreseeable future.

The Group also monitored capital on the basis of the liability-to-asset ratio. As at 31 December 2022, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 53% (2021 – 57%). The Group's gearing ratio decreased and maintained at a sound level.

As at 31 December 2022, the market capitalisation of the Company was approximately HK$436.9 million (2021 – approximately HK$505.5 million).

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 31 December 2022, there was no capital expenditure contracted for by the Group at the end of year (2021: nil) but not yet incurred and there was no charge on assets of the Group.

The Group had no contingent liabilities as at 31 December 2022, and the labour arbitrations related to the contingent liabilities recorded in 2021 were closed in May 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2022, the Group had not made any material acquisitions or disposal of subsidiaries, associates or joint ventures.

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 242 (including directors) (2021 – 231) in Hong Kong and the PRC as at 31 December 2022. The total salaries and related costs (including the Directors' fees) for the year ended 31 December 2022 amounted to approximately HK$65.1 million (2021 – HK$68.5 million). During the year, the staff costs decreased mainly as a result of reduction of sales based compensation.

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 foreign exchange risk and 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 competitions by domestic and overseas companies in the wine industry, and also finds that a number of imported wines competitors entered 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 the 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; and product series which are focused on the entry-level product price range and targeted at young consumers, opening a new chapter for the Group's product rejuvenation strategy.

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.

Resurgence of the COVID pandemic in various cities in the PRC continues in the year, consumption scenario and sales activities are adversely affected due to control and lockdown measures imposed by local governments, having a direct impact on the sales volume of wine products. To reduce the risk, the Group keeps implementing optimised channel and product strategies, following the relaxation of measures, by developing and enhancing its point-of-sale network (both offline and online) and launching new products with various customer bases coverage.

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 or upgrading of heating boiler and energy-saving transformer, 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.

During the year ended 31 December 2022, the Group has complied with the 'comply or explain' provisions set out in the Environmental, Social and Governance ("**ESG**") Reporting Guide. Information about the Company's ESG policies and performance during the year which will be set out in the ESG section to be included in this report.

COMPLIANCE WITH LAWS AND REGULATIONS

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 complying with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and other applicable laws and regulations. Based on the information available, the Directors took the view that during the year ended 31 December 2022, the Group was not aware of any non-compliance of the relevant laws and regulations that had a significant impact on the Group.

Biographies of Directors and Senior Management

The biographies of the Directors and senior management is as follows:

DIRECTORS

Executive Directors

Mr. WAN Shoupeng, aged 49, senior engineer (正高級工程師), was appointed as the executive Director and the chairman of the Company in October 2020. Mr. Wan is also a chairman of nomination committee of the Company. He is currently the secretary of communist party committee, a director and chairman of Tianjin Food, a controlling shareholder of the Company. Mr. Wan was appointed as a director and the chairman of a subsidiary of the Company, namely, Sino-French Joint-Venture Dynasty Winery Limited ("**Dynasty Tianjin**"), in September 2020. Mr. Wan graduated from Nanjing University of Economics (南京經濟學院) with a bachelor's degree in food engineering in 1997. After graduation, he worked in the Technology Development Department of Tianjin Food Research Institute (天津市食品研究所) from 1997 to 2001. From 2001 to 2007, he successively held the positions of assistant to general manager and deputy manager at Tianjin Limin Condiment Brewing Group Company Limited (天津市利民調料釀造集團有限公司). From November 2007 to March 2020, he held various senior management positions at Tianjin Limin Condiment Company Limited (天津市利民調料有限公司), including the deputy secretary of communist party committee, deputy general manager and general manager, and his last positions were secretary of the communist party committee and chairman of Tianjin Limin Condiment Company Limited (天津市利民調料有限公司). He further studied in Tianjin University of Science and Technology and obtained a master's degree in food science and engineering in 2006, and subsequently obtained a doctorate degree in biotechnology and food engineering in 2015. From 2013 to 2015, he also acted as chief engineer (總工程師) of Tianjin Ershang Group Company Limited (天津二商集團有限公司). He joined Tianjin Food in 2015 and served as chief engineer (總工程師) and subsequently a member of communist party committee. Mr. Wan has extensive experience in the food industry in the PRC and management. He joined the Group in September 2020.

Mr. LI Guanghe, aged 49, was appointed as the executive Director and general manager of the Company in January 2018 and resigned in March 2023. Mr. Li, the senior political officer (高級政工師), has been Head of Corporate Culture Department (Propaganda Department) and Office Director of Informatisation in Tianjin Food since 2015, mainly responsible for brand building, cultural construction and external publicity work. He held the same positions in Tianjin State Farms Agribusiness Group Co. Ltd. from 2012 to 2015. From 2012 to 2021, he has also acted as external supervisor in Tianjin Jia Li He Livestock Co., Ltd. After graduated from Tianjin Agricultural Industrial Business First Polytechnic College (天津農工商第一職業技術學校) specialised in Accounting in 1993, he engaged office work in Tianjin Dazhongzhuang Farm until 1996. Then he worked in Tianjin State Farms Agribusiness Group Co. from 1996 to 2006, during which he studied Economic Management in Tianjin Municipal Party School and also pursued a bachelor's degree in legal profession in Central Party School. During 2006 to 2009, he had been Secretary of Youth League Committee of Tianjin State Farms Agribusiness Group Co. From 2009 to 2012, he was also appointed as Vice Minister of Tianjin State Farms Agribusiness Group Co. (Propaganda Department), during which he pursued a master's degree in Political Economics in Tianjin Municipal Party School. Mr. Li has solid experience in brand building and management. He joined the Group in November 2017. He is also a director of Famous Ever Group Limited, which is a controlling shareholder of the Company, and a director of certain subsidiaries of the Group.

Biographies of Directors and Senior Management

HE Chongfu, aged 45, was appointed as an executive Director and general manager of the Company in March 2023. Mr. He joined the Group in January 2023 as a deputy secretary of communist party committee, director and the general manager of Dynasty Tianjin, a subsidiary of the Company. Mr. He graduated from University of Tianjin (天津大學), majoring in precision chemical engineering and engineering management, with double bachelor's degrees in 2000. He then worked at LG electronics (Tianjin) Appliances Company Limited (樂金電子天津電器有限公司) and Prysmian Group (普睿司曼集團) from 2000 to 2012. His then responsibilities ranged from marketing, sales and export business. Mr. He also obtained a master degree in business administration from Nankai University (南開大學) in 2009. From 2012 to 2020, he held sales and management positions at Tianjin Limin Condiment Company Limited (天津市利民調料有限公司) and his last held position there was a sales director. From 2020 to January 2023, he served as the deputy secretary of communist party committee, director and general manager of Tianjin Food Group Trading Company Limited (天津食品集團商貿有限公司, "**Tianjing Food Trading**"). Tianjin Limin Condiment Company Limited (天津市利民調料有限公司) and Tianjin Food Trading are both subsidiaries of Tianjin Food, the controlling shareholder of the Company. Mr. He is also a director of Tian Shi Kang Yi Catering Co. Ltd. (天食康誼(天津)餐飲管理有限公司), an associate of Tianjin Food Trading. Mr. He has extensive experience in sales, trading and management.

Mr. HUANG Manyou, aged 57, accountant, was appointed as the executive Director in October 2020. Mr. Huang is also a member of remuneration committee of the Company. He has been deputy general manager of Dynasty Tianjin until January 2023 and is currently secretary of communist party committee and a director of Dynasty Tianjin and a director of Tianjin Dynasty Winery Sales Company Limited, both are subsidiaries of the Company. After graduating from Tianjin Second Commercial School (天津第二商業學校) majored in financial statistics in 1985, Mr. Huang worked successively in Tianjin Poultry and Egg Company (天津市禽蛋公司) and Tianjin Frozen Food Company (天津市冷凍食品公司) until 1995, during which he studied business management at Tianjin Xinhua Staff College (天津新華職工大學) with a diploma degree. In following years from 1995 to 2017, he held various management positions in Tianjin Lida Group Company Limited (天津立達集團有限公司) including accounting manager, assistant to the general manager, and his last positions were deputy chief accountant and head of finance department. During the period from 2008 to 2011, he graduated from the Party School of the Central Committee (中央黨校), majoring in economics and management for postgraduate. He has been a director of Liaoning Wang Chao Wunushan Icewine Company Limited (遼寧王朝五女山冰酒莊有限公司), a subsidiary of Tianjin Food, a controlling shareholder of the Company, up to August 2022. Mr. Huang has extensive experience in financial accounting and management. He joined the Group in August 2017. He is also a director of certain subsidiaries of the Group.

Non-executive Directors

Mr. HERIARD-DUBREUIL Francois, aged 74, was appointed as the vice-chairman and a non-executive Director in August 2004. He has been the director and vice-chairman of Dynasty Tianjin, a subsidiary of the Company, since May 1980 till December 2017. He is also a director of subsidiary of the Group. He has also been the chairman of the supervisory board of Remy Cointreau S.A., a company listed on the Euronext Stock Exchange, from December 2000 to September 2004, chairman of Orpar S.A., the holding company of Remy Cointreau, since December 1997 and non-voting member of board of director of Oeneo S.A., a company listed on the Euronext Stock Exchange. Mr. Heriard-Dubreuil joined Remy Martin & Co. S.A. in 1977 prior to its merger with Cointreau & Cie. He was appointed as the director of the Remy Cointreau Group in 1990 and is currently the non-voting member of board of director of Remy Cointreau S.A. He has over 40 years of experience in the wines industry and has held various senior positions within Remy Martin Group, including chairman of the Remy Martin Group from September 1984 to July 1990. He is chairman of the Fondation INSEAD, France, Member of INSEAD French Council. He graduated from Université de Paris with a degree of Maitrise Es Sciences in 1970 and a master degree of business administration from INSEAD, France in 1975.

Mr. WONG Ching Chung, aged 83, was appointed a non-executive Director in August 2004. Mr. Wong is a member of remuneration committee of the Company. He has been a director of Dynasty Tianjin since 1985. He is also a director of certain subsidiaries of the Group. Mr. Wong was the regional managing director of Remy Associes and Maxxium Worldwide B.V. between 1986 and 2002. He was appointed a director of Remy Cointreau S.A. between 1999 and 2002 and a director of Orpar S.A. between 2002 and 2005. Graduated from The University of Hong Kong with a bachelor's degree in 1964 and from Hult International Business School (formerly Arthur D. Little Management Institute, USA) with a master of science in management degree in 1981. Mr. Wong has close to 40 years of extensive experience in the wines industry. He was awarded the Officier de l' Ordre du Merite Agricole by the French government in 1994 in recognition of his accomplishment in the wines and spirits industry.

Mr. ROBERT Luc, aged 66, was appointed as a non-executive Director in August 2004. He is also a director of certain subsidiaries of the Group. He has held various management positions in the Orpar S.A. – Remy Cointreau Group since 1987, including the deputy group controller, regional finance director for the America, finance director of the champagne division and the regional finance director of Asia Pacific. Prior to joining the Remy Cointreau Group in 1987, he worked with Ernst & Whinney in Montreal and Paris. He graduated from University of Sherbrooke, Canada with a bachelor's degree in business administration (accounting) in 1979. He is a former Canadian Certified Public Accountant. Mr. Robert has extensive experience in the wines and spirits industry for over 30 years.

Biographies of Directors and Senior Management

Independent non-executive Directors

Mr. YEUNG Ting Lap Derek Emory, aged 50, was appointed as an independent non-executive Director in January 2011. Mr. Yeung is also chairman of audit committee, a member of remuneration committee and nomination committee of the Company. He holds a bachelor degree in applied mathematics and economics from Brown University and a master degree in business administration and accounting from Northeastern University, both in the United States of America. Mr. Yeung is also the chief executive officer and co-founder of she.com International Holdings Limited, a co-founder of Chef Nic Holdings Limited. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. Mr. Yeung is qualified as a certified public accountant in the United States of America and he is a member of the Chinese People's Political Consultative Conference of Jiangsu Province.

Mr. SUN David Lee, aged 57, was appointed as an independent non-executive Director in November 2012. Mr. Sun is also a member of audit committee, remuneration committee and nomination committee of the Company. Mr. Sun is an executive director of China Outfitters Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He is co-founder and COO of 01Fintech Group Limited, the general partner of 01Fintech LP ("**01Fintech**"), a fintech focused private equity fund. Prior to 01Fintech, he was a director and co-founder of CEC Management Limited, the management company of China Enterprise Capital Limited ("**CEC**"), a China focused private equity fund. Prior to establish CEC, he was a managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S.

Dr. ZHANG Guowang, aged 63, was appointed as an independent non-executive Director in November 2014. Dr. Zhang is also the chairman of remuneration committee, a member of audit committee and nomination committee of the Company. Dr. Zhang graduated from Jilin University of Technology (吉林工業大學) with a bachelor's degree of engineering, majoring in management engineering in 1982. He obtained a master's degree in technical economics from Tianjin University in 1995, and a doctorate degree in management from Nankai University in 2006. He was the first dean of Business School in Tianjin University of Commerce from 2001 until 2010. He was awarded various prizes from the Municipal Technology Performance Awards (市級科研成果) by Tianjin Municipal People's Government. Dr. Zhang is a member of Chinese Institute of Certified Public Accountants and a professor. Dr. Zhang is also an executive council member of Tianjin Society of Technical Economics (天津技術經濟研究會) and Statistical Evaluation Research Branch Association of Chinese Association for Applied Statistics (中國現場統計研究會統計綜合評價研究分會), he is a chairman of Association of Institute of Economic and Management of Local Colleges in China (中國地方普通高校經濟管理院(系)協作會). Dr. Zhang specialises in research of innovative management methods and economic appraisal. Dr. Zhang has solid experience in administration and management for over 20 years.

SENIOR MANAGEMENT

Mr. HO Yiu Sum, aged 47, is the financial controller and company secretary of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of United Kingdom, and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He has a bachelor's honours degree in accountancy and a master's honours degree in Corporate Governance in Hong Kong Polytechnic University. Mr. Ho has extensive experience in auditing, company secretarial work and financial management of listed companies. Before joining the Group, he worked in one of international accounting firms.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2022. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

The following sections set out how the principles in the Code have been complied with by the Company during the year ended 31 December 2022:

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 "**Mode Code**"). The Company has made specific enquiry of all Directors and that all 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 2022.

BOARD OF DIRECTORS

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

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

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

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

Composition of the Board

For the year ended 31 December 2022, the Board comprised three executive Directors, namely Mr. Wan Shoupeng (Chairman of the Board ("**Chairman**")), Mr. Li Guanghe (General Manager) (which is equivalent to the chief executive) and Mr. Huang Manyou; three non-executive Directors, namely Mr. Heriard-Dubreuil Francois, Mr. Wong Ching Chung and Mr. Robert Luc; and three independent non-executive Directors, namely Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee. The biographies of the Directors are set out in the "Biographies of Directors and Senior Management" section, which demonstrate a diversity of knowledge, skills, experience and qualifications

Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has also received annual confirmation of independence to the Company from the three independent non-executive Directors. The Board has assessed their independence and considered that all the independent non-executive Directors are independent.

Mr. Heriard-Dubreuil Francois held or continue to hold directorships or other management positions within the group comprising Andromede S.A.S. (the ultimate controlling shareholder of Remy Pacifique Limited, a substantial shareholder of the Company), its subsidiaries and joint venture companies. Mr. Wan Shoupeng, Mr. Li Guanghe and Mr. Huang Manyou held or continue to hold directorships or other management positions within the group comprising Tianjin Food (which is the controlling shareholder of the Company, its subsidiaries and associated companies). Other than as described above, there was no other relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors and in particular, there was no relationship between Mr. Wan Shoupeng, the Chairman and Mr. Li Guanghe, the general manager, during the year ended 31 December 2022.

On 17 March 2023, Mr. He Chongfu was appointed as executive Director and general manager of the Company in place of Mr. Li Guanghe who has tendered his resignation of above positions with effect from the same date. Mr. He Chongfu held or continue to hold directorships or other management positions within the group comprising Tianjin Food (which is the controlling shareholder of the Company, its subsidiaries and associated companies). Other than as described above, there was no other relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors and in particular, there was no relationship between Mr. Wan Shoupeng, the Chairman and Mr. He Chongfu, the general manager.

The Board

The Board oversees the Group's overall strategic directions, businesses and financial performance. It assumes responsibilities for strategy formulation, corporate governance and performance monitoring. Daily operations and administration are delegated to the management with divisional heads responsible for different aspects of the business. The main responsibilities of the management of the Company is to manage, operate and co-ordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters. Moreover, the Board has also delegated various responsibilities to the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee (the "**Audit Committee**") of the Company. Further details of the roles and duties of these committees are set out in this report.

The Board provides insights regarding the Group's culture and values. The Group's mission is to capture market opportunities in the wine industry in the PRC and to maintain as one of PRC leading grape wine producers. As a responsible food producer, the Company commits to fulfil its corporate social responsibility to ensure food safety and product quality. With the promotion of the Board, all directors lead by example and employees follow regulations and act with integrity, and continually reinforce the value of acting lawfully, ethically and responsibly.

The Board is also responsible for performing corporate governance duties including the developing, reviewing and monitoring of the Company's corporate governance policies and practices, reviewing and monitoring the training and continuous professional development of the Directors and senior management, the Company's policies and practices on the compliance with the legal and regulatory requirements, developing, reviewing and monitoring the Model Code, and reviewing the Company's compliance with the Code and disclosure in the corporate governance report of the annual report of the Company.

The major work performed by the Board during the year ended 31 December 2022 included reviewing, monitoring and, where applicable, approving the following matters:

– the Company's policies and practices on corporate governance and code of conduct.

– training and continuous professional development of Directors and senior management.

– the Company's policies and practices on compliance with legal and regulatory requirements.

– compliance with the Code and the disclosure in the corporate governance report.

The Board has four scheduled meetings a year and meets more frequently as and when required. During the year, four regular board meetings were held. Notice of 14 days or more was given to all Directors to attend a regular board meeting. Their individual attendance record, on a named basis, during the year ended 31 December 2022 are set out in the table below:

Board Members	Board meetings attended/held
Executive Directors	
Wan Shoupeng *(Chairman)*	4/4
Li Guanghe	4/4
Huang Manyou	4/4
Non-executive Directors	
Heriard-Dubreuil Francois	4/4
Wong Ching Chung	4/4
Robert Luc	4/4
Independent non-executive Directors	
Zhang Guowang	4/4
Yeung Ting Lap Derek Emory	4/4
Sun David Lee	2/4

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

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

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

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

The chairman of the Board also held meeting with the independent non-executive Directors without the presence of other Directors.

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

Induction tailored kit would be given to newly appointed Directors, if any to their individual needs. This would enable them to have better understanding of the Group's businesses and policies.

During the year ended 31 December 2022, all Directors participated in continuous professional development to develop and refresh their knowledge and skills by reading material relevant to the Directors' duties and responsibilities. The company secretary maintained Directors' records of training received by them during the year.

The training received by the Directors during the year 2022 is summarised below:

Name of Directors	Types of training
Executive Directors	
Wan Shoupeng	A, B
Li Guanghe	A, B
Huang Manyou	A, B
Non-executive Directors	
Heriard-Dubreuil Francois	B
Wong Ching Chung	B
Robert Luc	B
Independent non-executive Directors	
Zhang Guowang	B
Yeung Ting Lap Derek Emory	B
Sun David Lee	B

A – Attending briefings/seminars/conferences/forums
B – Reading/studying training or other materials

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

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

Mechanism ensuring independent views available to the Board

The Company established these mechanisms which are to ensure that a strong independent element on, and independent views and input are available to, the Board.

Composition of the Board and Board Committees

The Board endeavours to ensure the appointment of at least three INED(s) and at least one-third of its members being INEDs. Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, INEDs will be appointed to other Board committees as far as practicable to ensure independent views are available.

Independence Assessment

The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules regarding the nomination and appointment of INEDs.

Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

The Nomination Committee is mandated to assess annually the independence of all INEDs by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

Board Decision Making

INEDs (as other directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from company secretary of the Company and, where necessary, independent advice from external professional advisers at the expense of the Company.

INEDs (as other directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

The Chairman of the Board shall at least annually hold meetings with the INEDs without the presence of other Directors to discuss major issues and any concerns.

The Board has made a review of the implementation and effectiveness of this mechanism.

Directors' appointment, re-election and removal

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

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

Board Diversity Policy

The Board adopted the board diversity policy ("**Board Diversity Policy**") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard to the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

Having reviewed the Board composition, Nomination Committee (and the Board) recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members, with a target to appoint a suitable female candidate as director as soon as practicable and not later than the annual general meeting regarding the financial results for the year ending 31 December 2023 to be held in 2024. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

However, the Board recognises the importance of diversity in the workforce level. The Group employs staff by talents, covering different gender, age, religion etc. The gender ratios in the workforce by the end of the year of 2022 are as follows:

Overall male to female ratio	Male 67.8%; Female 32.2% (2021: Male 68.0%; Female 32.0%)
By rank and gender:	
Office staff:	
Director and management level	Male 100.0%; Female 0.0% (2021: Male 100.0%; Female 0.0%)
Officers and others	Male 64.0%; Female 36.0% (2021: Male 66.5%; Female 33.5%)
Production staff:	Male 79.7%; Female 20.3% (2021: Male 71.4%; Female 28.6%)

Whistleblowing Policy

The Group is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and those deal with the Group to raise concerns, in confidence, to Audit Committee and the Board about possible improprieties relating to the Group. The report from the whistleblower would be kept confidential.

The whistleblowing system established under the policy is intended:

- to cultivate a culture of openness and transparency in the Group;
- to encourage employees and persons dealing with the Company to raise concerns about possible improprieties relating to the Group and to provide them with reporting channels in confidentiality for such purposes; and
- to enable the Group to remedy a misconduct or malpractice before serious damage is caused.

Nomination Policy

Nomination policy of the Group ("**Nomination Policy**") is in place and was adopted in writing taking into consideration of the revised Listing Rules which became effective from 1 January 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for appointment to the Board.

The Nomination Committee shall call a meeting and invite nominations of candidates from Board members if any, for consideration by the committee prior to its meeting. Alternatively, such nomination may be approved by the committee by way of written resolutions. For filling a casual vacancy, the committee shall make recommendations for the Board's consideration and approval.

Nomination Committee

The Nomination Committee was first formed in March 2012 with written terms of reference in compliance with the Code. The Nomination Committee is responsible for recommending suitable candidates to the Board for directorship, after considering their experience in the industry, diversity, skill and competence, as well as the independence (in case of selection of independent non-executive Directors) of the nominees, to ensure that nominations are fair. During the year ended 31 December 2022, the chairman of the Nomination Committee was Mr. Wan Shoupeng, an executive Director and other members comprised Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee, all being independent non-executive Directors. Independent non-executive Directors constituted the majority of the Nomination Committee.

During the year ended 31 December 2022, the Nomination Committee had reviewed the structure and diversity of the Board (including gender, age, competency, professional knowledge and experience), the existing Nomination Policy and updated Board Diversity Policy, and the implementations of the Policy; updated the Nomination Committee's terms of reference and the re-appointment of Directors who retired from office by rotation at the AGM held in 2022 and offered themselves for re-election; and assessed the independence of independent non-executive Directors (including long serving independent non-executive Directors). Their individual attendance records, on a named basis, during the year ended 31 December 2022 are set out in the table below:

Name of member	Meeting attended/held
Wan Shoupeng *(chairman)*	2/2
Zhang Guowang	2/2
Yeung Ting Lap Derek Emory	2/2
Sun David Lee	2/2

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

DIVISION OF RESPONSIBILITIES

The positions of the chairman of the Board (the "**Chairman**") and general manager ("**General Manager**") (which is equivalent to the chief executive) are separate to ensure a clear distinction between their responsibilities. Mr. Wan Shoupeng as the Chairman is responsible for the leadership to and effective running of the Board in terms of establishing policies and business directions. The Chairman ensures that the Board is functioning effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Li Guanghe as the General Manager is responsible for providing leadership for effective running of the Company's business, implementation of the approved strategies in achieving the overall commercial objectives and management of Company's relationships with its stakeholders.

The Board comprises three independent non-executive Directors who bring in strong independent judgement, knowledge and experience to the Board. In addition, each executive Director is delegated individual responsibility to monitor and oversee the operations of a specific area, and to implement the strategies and policies set by the Board. As noted above and below, all Audit Committee members and a majority of the Remuneration Committee and Nomination Committee members are independent non-executive Directors. This structure ensures that a sufficient balance of power and authority exists within the Group. During the year ended 31 December 2022, the Chairman led the Board and ensured that all Directors were properly briefed on issues to be discussed at board meetings.

REMUNERATION OF DIRECTORS

Remuneration Committee

The Remuneration Committee was first formed in 2005. The Remuneration Committee is responsible for making recommendations to the board on the remuneration packages of individual executive Directors and the senior management. The Remuneration Committee is also responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management of the Group and other matters relating to remuneration. During the year ended 31 December 2022, the chairman of the Remuneration Committee was Dr. Zhang Guowang, an independent non-executive Director and the other members comprised Mr. Huang Manyou, being an executive Director and Mr. Wong Ching Chung, being a non-executive Director and Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee, both being independent non-executive Directors. Independent non-executive Directors constituted the majority of the Remuneration Committee. The terms of reference of the Remuneration Committee are summarised as follows:

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

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

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

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

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

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

During the year ended 31 December 2022, the Remuneration Committee had reviewed the remuneration package and performance of executive Directors as well as the terms of their service contracts, and reviewed Directors' remuneration package and proposed to maintain at current level, and updated the Remuneration Committee's terms of reference. The Board had approved the recommendations of the Remuneration Committee during the year. The Remuneration Committee members' individual attendance record, on a named basis, during the year ended 31 December 2022 is set out in the table below:

Name of member	Meeting attended/held
Zhang Guowang *(chairman)*	1/1
Huang Manyou	1/1
Wong Ching Chung	1/1
Yeung Ting Lap Derek Emory	1/1
Sun David Lee	1/1

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

Remuneration package for Directors and senior management

The remuneration for the executive Directors comprises basic salary, discretionary annual bonus, housing allowances and pensions.

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

Apart from basic salary, executive Directors and employees were eligible to receive a discretionary bonus taking into account factors such as market conditions as well as the corporate and the individual's performance during the year. During the year ended 31 December 2022, the Company did not pay any discretionary bonus to the executive Directors.

The remuneration payable to members of the senior management (including executive Directors) of the Company by band for the year ended 31 December 2022 was as follows:

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

Details of the amount of Directors' emoluments during the year ended 31 December 2022 are set out in Note 30 to the financial statements.

ACCOUNTABILITY AND AUDIT

The Board is responsible for continual enhancement of corporate governance practices and evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and the management should provide a confirmation to the Board on the effectiveness of these systems.

The Directors also acknowledge their responsibility for the preparation of the financial statements for the year ended 31 December 2022 which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2022, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards have been adopted, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Directors and the auditor acknowledged their responsibilities for the consolidated financial statements for the year ended 31 December 2022 as set out in the independent auditor's report on pages 62 to 63 of this annual report.

Risk management and internal control

The Board acknowledges its responsibilities for maintaining a sound risk management and internal control systems of the Group and reviewing their effectiveness on an ongoing basis. The risk management and internal control systems can only provide reasonable, though not absolute, assurance against material misstatement or loss, and manage rather than eliminate risks of failure to achieve business strategies. The Group's internal control framework covers (i) the setting of a defined management structure with limits of authority and clear lines of accountability; and (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations from budgets and targets.

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

In addition to the above, the Audit Committee has reviewed the effectiveness of its risk management (including risk related to environment, society and governance ("**ESG**")) and internal control systems on all major operations of the Group by discussion with the management on risk areas identified by the management and/or auditors and by appointing internal control advisor to check and review the Group's operations and transactions; and ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

The Board and the Audit Committee considered that key areas of the Group's risk management and internal control systems were reasonably implemented and the Group has substantially complied with the Code regarding risk management and internal control systems.

Main features of the risk management and internal control systems

Main features of the risk management and internal control systems are described below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases (by procedures including interview and questionnaires of divisions or departments, and process review on procedural controls) to identify, evaluate and manage material risks by the Group:

Risk Identification

- To identify risks that may potentially affect the Group's business and operations, a risk management framework is established to identify the targeted risks after considering their potential business impact and the likelihood of occurrence;

Risk Assessment

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

Risk Response

- To prioritise the risks by comparing the results of the risk assessment;

- To determine the processes to prevent, avoid or mitigate the risks;

Risk Monitoring and Reporting

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

- If found any material risks, immediately reports to the Board and follows up the status of the improvement of the matter.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Group has engaged internal control adviser to assist the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2022. Such review is conducted annually. The scope of review covering material controls was determined and approved by the Audit Committee. The assessment report was reviewed by the Audit Committee and the Board. No major issue but areas for improvement to the Group's risk management and internal control systems have been identified. All recommendations are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the risk management and internal control systems were effective and adequate.

Internal Audit Function

The Company has set up the audit department (serving function of the internal audit team) to facilitate the reform of the Company's procedures. The department is separate and independent of the operation and management system of the Group. The upmost responsible officer for internal control and audit of the Group is the professional staff with internal control and/or audit experience.

The department plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports on a regular basis throughout the year.

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

Information Disclosure Policy

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

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

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

AUDIT COMMITTEE

The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process, risk management and internal control systems of the Group, ensuring compliance with the applicable accounting principles and practices, and to provide advice and comments thereon to the Board, as well as to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and assessing their independence and performance.

During the year ended 31 December 2022, the Audit Committee comprised three independent non-executive Directors, the chairman of the Audit Committee was Mr. Yeung Ting Lap Derek Emory and the other members were Dr. Zhang Guowang and Mr. Sun David Lee, who together have substantial experience in audit, legal, business, accounting, corporate internal control and regulatory affairs. The Audit Committee has reviewed the Group's financial and accounting policies and practices, and the Group's financial statements for the year ended 31 December 2021 in conjunction with the Company's auditors and reviewed the risk management and internal control systems of the Group.

In fulfilling its responsibilities, the work performed by the Audit Committee during the year ended 31 December 2022 included the following:

- reviewed the draft annual financial statements for the year ended 31 December 2021 of the Group prior to recommending them to the Board for discussion;
- reviewed the draft interim financial statements for the six months ended 30 June 2022 of the Group prior to recommending them to the Board for discussion;
- reviewed the progress results of external audit, and discussion with the external auditors on any key findings on internal control and audit issues, as well as the reports relating to 2022 annual audit plan;
- reviewed the developments of accounting standards in conjunction with the external auditors;
- reviewing the Company's compliance with the Code and other legal and regulatory requirements;
- reviewing the disclosure in the corporate governance report;
- reviewing the continuing connected transaction for the year ended 31 December 2021;
- considered major assessment findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings; and
- reviewed and considered effectiveness of the Company's risk management and internal control systems including the assessment report from internal control adviser (please also refer to the above section headed "Accountability and audit" for details).

During the year ended 31 December 2022, the Audit Committee met twice, together with executive Directors, the financial controller, with the external auditors. Please refer to the table below for the attendance record of individual Audit Committee members:

Name of member	Meeting attended/held
Yeung Ting Lap Derek Emory (chairman)	2/2
Sun David Lee	2/2
Zhang Guowang	2/2

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remuneration paid/payable to the auditor in respect of audit and non-audit services provided by the auditor to the Group is set out below:

Nature of services	Amount *(HK$'000)*
Audit services	2,456
Non-audit services	–

DIVIDEND POLICY

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

COMMUNICATION WITH SHAREHOLDERS

Policy and channels

The Board has adopted a shareholders' communication policy which aims to ensure the Company's shareholders, both individual and institutional and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and business plans, material business developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company

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

1) The AGM provides opportunities for the Shareholders to meet and raise questions to the Directors, the management and the external auditors. Members of the Board and the Audit, the Remuneration and the Nomination Committees, and external auditors will attend the AGM. The Group encourages all Shareholders to attend. Shareholders can raise any comments on the performance and future directions of the Company and exchange views with the Directors, members of Board Committees, the management and the external auditors at the AGM. The notice of the AGM will be published on the Company's website and the Stock Exchange's website and sent to the Shareholders 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 (if applicable);

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

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

The Board has conducted the annual review of the implementation and effectiveness of the shareholders' communication policy of the Company, and was of the view that the Company establishes various communication tools as above to ensure the Shareholders are kept well informed of timely information of the Company, the policy was effective and adequately implemented during the financial year.

Meetings

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

An AGM circular will be distributed to Shareholders at least 21 days before the AGM and included with the notice to Shareholders of any future AGM. It sets out the procedures for conducting a poll and other relevant information of the proposed resolutions.

The most recent AGM was held on 24 June 2022. Certain measures were taken to prevent and control the pandemic, including:

- compulsory body temperature checks and health declarations;
- recommended wearing of surgical face masks; and
- no distribution of corporate gift and no serving of refreshment

Individual attendance record of Directors at the Company's general meetings, on a named basis, is set out in the table below:

Board Members	AGM attended/held
Executive Directors	
Wan Shoupeng *(Chairman)*	1/1
Li Guanghe	0/1
Huang Manyou	1/1
Non-executive Directors	
Heriard-Dubreuil Francois	1/1
Wong Ching Chung	1/1
Robert Luc	1/1
Independent non-executive Directors	
Zhang Guowang	1/1
Yeung Ting Lap Derek Emory	1/1
Sun David Lee	1/1

Board members, in particular, the respective chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee or their delegates and the external auditors of the Company had attended the annual general meeting of the Company held on 24 June 2022 to response to shareholders' questions.

The matters proposed to be passed by ordinary resolutions of the Company at the AGM were, including but not limited to, as follows:

- adoption of audited consolidated financial statements of the Company for the year ended 31 December 2021;
- re-election and re-appointment of Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee as Directors of the Company;
- re-appointment of PricewaterhouseCoopers as the Company's auditor; and
- approval of Issue Mandate, Buy Back Mandate and Extension Mandate (as defined in the circular of the Company dated 29 April 2022)

All resolutions were passed as separate resolutions at the AGM by way of poll.

No other general meeting was held during the financial year.

The Company has updated its status to the Shareholders from time to time through announcements and information as appeared on the websites of the Company and the Stock Exchange.

The notice of the AGM will be published on the Company's website and the Stock Exchange's website and sent to the Shareholders in due course after the date of the forthcoming AGM has been determined. The Company will hold the AGM to adopt the financial results for the year ended 31 December 2022 as soon as practicable which is expected no later than the end of June 2023. The Company will also publish further announcement in respect of the closure of register of members for AGM in due course (if applicable).

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

Shareholders' right

Convening Extraordinary General Meeting(s)

The Board may whenever it thinks fit call for an EGM. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company can at all times make a written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the Hong Kong office of the Company at *Units E&F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong; and such meeting shall be held within 2 months after deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals at the Shareholders' meeting to the Board at the above-mentioned address.

Procedure for Shareholders to Propose a Person for Election as Director

Pursuant to Article 88 of the Company's articles of association if a Shareholder wishes to propose a person, other than a retiring Director or a person recommended by the Board, for election as a Director at a general meeting, such Shareholder (other than the person to be proposed), who is duly qualified to attend and vote at such general meeting, should lodge a written and signed notice of nomination and a notice signed by the person to be proposed of his willingness to be elected at the the Hong Kong office of the Company at Units E&F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong; or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The notices should be given within the period commencing on the day after dispatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days.

Putting Forward Proposals at General Meetings

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Enquiries to the Board

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

Contact details of the company secretary

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

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

Matters relating to share registration

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

Contact details

Address:	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel No.:	(852) 2980-1333
Fax No.:	(852) 2810-8185

Significant changes in memorandum and articles of association

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

Market Capitalisation

The market capitalisation of the Company as at 31 December 2022 was approximately HK$436.9 million (issued share capital: 1,248,200,000 shares at closing market price: HK$0.35 per share).

Financial Section

The Directors are pleased to submit the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, the Group's environmental policies and performance, the Group's compliance with laws and regulations, can be found in the Management Discussion and Analysis set out on pages 7 to 18 of the annual report. This discussion forms part of this directors' report.

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

On 17 March 2023, Mr. He Chongfu was appointed as executive Director and general manager of the Company in place of Mr. Li Guanghe who has tendered his resignation of above positions with effect from the same date.

RESULTS AND DIVIDENDS

The financial results of the Group for the year ended 31 December 2022 are set out in the section headed "Consolidated Income Statement" of the annual report.

The Directors did not recommend the payment of any dividend to the shareholders of the Company (the "**Shareholder**") for the year ended 31 December 2022.

SHARE CAPITAL

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

RESERVES

Details of the movements in reserves of the Group during the year are set out in Note 21 to the financial statements.

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Company's articles of association ("**Articles of Association**"). With the sanction of an ordinary resolution, dividends may be declared and paid out of share premium account of any other fund or account which can be authorised for this purpose.

GROUP FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands where the Company was incorporated, that would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS

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

Executive Directors:

Mr. Wan Shoupeng *(Chairman)*
Mr. He Chongfu (appointed on 17 March 2023)
Mr. Li Guanghe (resigned on 17 March 2023)
Mr. Huang Manyou

Non-executive Directors:

Mr. Heriard-Dubreuil Francois
Mr. Wong Ching Chung
Mr. Robert Luc

Independent non-executive Directors:

Dr. Zhang Guowang
Mr. Yeung Ting Lap Derek Emory
Mr. Sun David Lee

Details of the Directors' biographies are set out on pages 19 to 23 of the annual report.

Mr. Li Guanghe tendered his resignation as a director of the Company with effect from 17 March 2023 in order to focus on his other business engagements. He had confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the holders of securities of the Company.

Mr. He Chongfu was appointed as executive Director with effect from 17 March 2023. Pursuant to Article 86(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting. Therefore, Mr. He Chongfu shall retire from his office at the forthcoming AGM and, being eligible, will offer himself for re-election at the forthcoming AGM.

In accordance with Article 87 of the Articles of Association, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each AGM, provided that every Director shall be subject to retirement by rotation at an AGM at least once every three years. Mr. Wan Shoupeng, Mr. Huang Manyou and Mr. Heriard-Dubreuil Francois will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

The independent non-executive Directors are appointed in accordance with their respective appointment letters.

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

COMPETING BUSINESS

None of the Directors was interested in any businesses which competed or was likely to compete, either directly or indirectly, with the Group's business during the year, which is required to be disclosed under Rule 8.10(2) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The following related party transactions as disclosed in Note 28 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in the annual report in accordance with Chapter 14A of the Listing Rules:

Master Purchase Agreement with Tianjin Food

Pursuant to Chapter 14A of the Listing Rules, details of the continuing connected transactions for the year ended 31 December 2022 are required to be disclosed in the annual report as follows:

On 9 November 2020, the Company and Tianjin Food entered into an agreement ("**Master Purchase Agreement**") for a term from 1 December 2020 to 31 December 2022 in relation to the purchase of the raw materials (the "**Raw Materials**") (being (i) grapes and grape juice (including unprocessed wines), and (ii) auxiliary materials (sugar, rose water and packaging materials)), from Tianjin Food and its subsidiaries and/or its associates to the Group.

The terms (including the price and payment terms) of each purchase order shall be agreed between the Group and Tianjin Food based on normal commercial terms after arm's length negotiations, and the price/payment terms (including credit terms) for each purchase of the Raw Materials by the Group shall be no less favourable than the price/payment terms (including credit terms) offered to the Group by the independent third parties of same or similar products.

As set out in the announcement of the Company dated 10 September 2020, Tianjin Food became the sole shareholder of Famous Ever Group Limited (which in turn held approximately 44.7% of the issued share capital of the Company) on 9 September 2020. Accordingly, Tianjin Food is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the above continuing connected transactions were disclosed in the announcement of the Company dated 9 November 2020 and the circular of the Company dated 11 December 2020.

Details of the continuing connected transactions for the purchase of Raw Materials by the Group from Tianjin Food and its subsidiaries and associates for the year ended 31 December 2022 are listed out as follows:

	Annual caps for the year ended 31 December 2022 HK$ million	Total aggregate of connected transactions for the year ended 31 December 2022 HK$ million
Purchase of grapes by the Group from Tianjin Food and its subsidiaries and associates	2.8	–
Purchase of grape juice (including unprocessed wines) by the Group from Tianjin Food and its subsidiaries and associates	19.1	14.5
Purchase of auxiliary materials (including rose water, sugar and packaging materials) by the Group from Tianjin Food and its subsidiaries and associates	5.7	0.1

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions had been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms which were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group as set out on pages 47 to 48 in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

In respect of the disclosed continuing connected transactions, the auditor has confirmed in the letter that:

a. nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

c. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

RELATED PARTY TRANSACTIONS

In addition to the continuing connected transactions disclosed above, the other related party transactions of the Group are disclosed in Note 28(c) to the consolidated financial statements. These related party transactions were exempted from the reporting, announcement and independent shareholder approval requirements of connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed above, no Director or an entity connected with a Director, and no controlling shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party during the year or subsisting at the end of the year.

MANAGEMENT CONTRACTS

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

RELATIONSHIPS WITH EMPLOYEES, DISTRIBUTORS, CUSTOMERS AND SUPPLIERS

The Group values its employees and provides competitive remuneration package to attract and motivate its employees. The Group regularly reviews and makes necessary adjustments on its human resources and remuneration policies to conform to market standard. The Group is also committed to staff training and development to support the need of the business and individuals by encouraging employees to enrol external training or courses.

The Group mainly sells its wine products to distributors. The Group requires the distributors to comply with the relevant laws and regulations, credit policy, and its sales and marketing policies, and monitors the performance of distributors. The Group also values the views and opinions of its distributors and end user customers, and the sales department of the Group regularly communicates with and obtains feedback from distributors in order to understand their business needs and market demands.

Production of quality wines greatly depends on a sufficient supply of quality grapes or grape juice. The Group has developed good and long-term relationships with its suppliers including major grape juice suppliers. The Group actively works 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. The procurement department of the Group also works closely with suppliers to ensure that the sourcing process is conducted in a fair and open manner.

EMPLOYEE AND REMUNERATION POLICIES

Quality and dedicated staff are the most important assets of the Group. The Group's policy on remuneration is to maintain fair and competitive packages to employees who contribute in unison to its corporate objectives. The Group determined the remuneration packages of employees 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 remuneration packages of each Director are determined, with regard to comparable market securities and factors such as workload and responsibility of each Director. Factors comprising the results of the Group and economic situation are also considered when determining the remuneration packages of executive Directors.

RETIREMENT SCHEMES

The Group participates in various post-employment schemes which covered the Group's eligible employees in the PRC, and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement schemes are set out in note 2.16(ii) to the financial statements.

TAX RELIEF AND EXEMPTION

Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Shares.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force as at the date of approval of this report and was in force throughout the financial year.

The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers, but shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Directors and officers.

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

The particulars of the Directors' and senior management's remuneration and the five highest paid employees during the financial year ended 31 December 2022 are set out in Notes 7 and 30 respectively to the financial statements.

ARRANGEMENTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2022 or as at 31 December 2022 was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2022, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

PERSONS HOLDING 5% OR MORE INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the interests or short positions of any persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

(i) Long position in Shares

Name	Interests in shares other than pursuant to equity derivatives (and capacity)	Aggregate long position	Approximate percentage of the Company's issued voting shares
Famous Ever Group Limited	558,000,000 ordinary shares (beneficial owner)	558,000,000 ordinary shares	44.70%
Tianjin Food Group Co. Ltd. (天津食品集團有限公司) ("**Tianjin Food**") *(Note 1)*	558,000,000 ordinary shares (interest of a controlled corporation)	558,000,000 ordinary shares	44.70%
Tsinlien Group Company Limited ("**Tsinlien**") *(Note 2)*	21,922 ordinary shares (beneficial owner)	21,922 ordinary shares	0.01%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司)("**Bohai**") *(Note 2)*	558,021,922 ordinary shares (interest in controlled corporation)	558,021,922 ordinary shares	44.71%
Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("**TEDA Industrial**") *(Note 2)*	558,021,922 ordinary shares (interest in controlled corporation)	558,021,922 ordinary shares	44.71%
Tianjin TEDA Investment Holdings Co., Ltd. (天津泰達投資控股有限公司) ("**Tianjin TEDA**") *(Note 2)*	558,021,922 ordinary shares (interest in controlled corporation)	558,021,922 ordinary shares	44.71%
Remy Pacifique Limited *(Note 3)*	336,528,000 ordinary shares (beneficial owner)	336,528,000 ordinary shares	26.96%
Remy Concord Limited *(Note 3)*	336,528,000 ordinary shares (interest in controlled corporation)	336,528,000 ordinary shares	26.96%
Remy Cointreau Services S.A.S. *(Note 3)*	336,528,000 ordinary shares (interest in controlled corporation)	336,528,000 ordinary shares	26.96%
Remy Cointreau S.A. *(Note 3)*	336,528,000 ordinary shares (interest in controlled corporation)	336,528,000 ordinary shares	26.96%
Orpar S.A. *(Note 3)*	336,528,000 ordinary shares (interest in controlled corporation)	336,528,000 ordinary shares	26.96%
Andromede S.A.S. *(Note 3)*	336,528,000 ordinary shares (interest in controlled corporation)	336,528,000 ordinary shares	26.96%

Notes:

(1) Famous Ever Group Limited is a direct wholly-owned subsidiary of Tianjin Food. By virtue of the SFO, Tianjin Food is deemed to be interested in the same parcel of shares of the Company in which Famous Ever Group Limited is interested.

(2) Tianjin Food and Tsinlien are both wholly-owned subsidiaries of Bohai which is wholly-owned by TEDA Industrial, which in turn is 85%-owned by Tianjin TEDA. By virtue of the SFO, Tianjin TEDA, TEDA Industrial and Bohai are deemed to be interested in the same parcel of Shares in which Tianjin Food and Tsinlien are interested. Tianjin TEDA is ultimately wholly owned by Tianjin Municipal People's Government of the PRC, which is the ultimate beneficial owner of Tianjin Food. Mr. Wan Shoupeng, an executive Director and chairman of the Company, is also a director and chairman of Tianjin Food. Mr. Li Guanghe, an executive Director and general manager of the Company as at 31 December 2022, is also a director of Famous Ever Group Limited.

(3) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 51% of the voting power at general meetings of Remy Cointreau S.A.. Orpar S.A. is also entitled to exercise or control the exercise of approximately 73% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 19% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A.S. is entitled to exercise or control the exercise of 100% of the voting power at general meetings of Orpar S.A.. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A.S. is deemed to be interested in the Shares held by Remy Pacifique Limited. Mr. Heriard-Dubreuil Francois, a non-executive Director, who is also a director and/or an employee of Andromede S.A.S., Orpar S.A., Remy Cointreau S.A., Remy Concord Limited and Remy Pacifique Limited.

Apart from the aforesaid, as at 31 December 2022, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

As at 31 December 2022, save as disclosed above, none of the Directors is a director or employee of a company having interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

Revenue

– the largest customer	11%
– five largest customers in aggregate	42%

Purchases

– the largest supplier	12%
– five largest suppliers in aggregate	38%

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

In respect of the year ended 31 December 2022, save as disclosed in the Corporate Governance Report on pages 24 to 43 of the annual report, all the code provisions set out in the Code (as defined in the Corporate Governance Report) were met by the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all the independent non-executive Directors to be independent.

MINIMUM PUBLIC FLOAT

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

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer itself for re-appointment as auditor of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board
Mr. Wan Shoupeng
Chairman

Hong Kong, 28 March 2023

Independent Auditor's Report

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Dynasty Fine Wines Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 64 to 121, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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

Independent Auditor's Report

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to Note 2.18 (Summary of significant accounting policies) and Note 5 (Segment information) to the consolidated financial statements.* The Group recognised revenue from sales of goods amounted to HK$241 million for the year ended 31 December 2022. The Group manufactures and sells a range of wine products. Revenue is recognised when control of the products has been transferred, being when the products are delivered to customers.	Our audit procedures relating to revenue recognition included: • Understood the Group's accounting policy for revenue recognition; • Understood, evaluated and validated management's relevant controls over revenue recognition from sales of goods; • Inspected, on a sample basis, the sales contracts with customers to understand key terms and conditions and assessed their implications for revenue recognition;

Key Audit Matter	How our audit addressed the Key Audit Matter
We identified revenue recognition as a key audit matter as significant resources and efforts were involved in auditing this area due to the large volume of transactions from sales of different kinds of products.	• Tested revenue transactions, on a sample basis, by examining the relevant supporting documents, including customer orders, sales contracts, goods delivery notes and customers' acknowledgement of receipt notes; • Selected samples of revenue transactions that took place one month before and after the balance sheet date and assessed whether the related revenue was recognised in the appropriate reporting period by checking the related goods delivery notes and customers' acknowledgement of receipt notes; • Confirmed trade receivable balances and revenue transactions with customers on a sample basis. Based on the procedures performed, we found the Group's revenue recognition for sales of goods was supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment allowance of inventories

Refer to Note 2.10 (Summary of significant accounting policies), Note 4.1(c) (Critical accounting estimates) and Note 18 (Inventories) to the consolidated financial statements.

Inventories of the Group largely comprise raw materials and finished wine products which are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. An impairment allowance for inventories is recognised where necessary in order to record inventories at their net realisable values.

As at 31 December 2022, the carrying value of Group's inventories amounted to HK$238 million, representing cost of HK$272 million less an impairment allowance of HK$34 million. The impairment charges as recognised in the consolidated income statement for the year ended 31 December 2022 amounted to HK$0.2 million.

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

Our audit procedures relating to management's assessment of the impairment of inventories included:

- Understood and evaluated the management's internal controls over the impairment assessment of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- Obtained an understanding of the Group's accounting policy for determining the impairment allowance of inventories;
- Tested the accuracy of the aging profile of the Group's raw materials and finished wine products by checking samples of purchase/production records and other documents to the inventory records. Examined the historical raw materials usage records and the subsequent actual sales volume data after the year end to evaluate whether slow-moving or over-stocked products has been properly identified;

Key Audit Matter	How our audit addressed the Key Audit Matter
The estimation of net realisable value of inventories is subject to high degree of estimation uncertainty, and the inherent risk in relation to the impairment allowance of inventories is considered significant due to subjectivity of significant assumptions and estimates used. We focused on auditing the impairment allowance for inventories and identified impairment allowance for inventories as a key audit matter.	• Observed the physical condition of samples of inventories during attendance of stocktake conducted by management to identify any slow-moving or damaged items; • Evaluated the reasonableness of the assumptions adopted by management in estimating the future selling prices of wine products and the related selling expenses by reference to the historical records and samples of sales transactions after the year end; and • Checked the mathematical accuracy of management's calculations of the impairment allowance for inventories. Based on the procedures performed, we considered the key judgement and estimates as adopted by management in assessing the impairment allowance of inventories were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-current operating assets *Refer to Note 2.8 (Summary of significant accounting policies), Note 4.1(b) (Critical accounting estimates), Note 14 (Property, plant and equipment) and Note 15 (Leases) to the consolidated financial statements.* As at 31 December 2022, the carrying amounts of the Group's property, plant and equipment amounted to HK$67 million, representing cost of HK$754 million less accumulated depreciation of HK$596 million and accumulated impairment losses of HK$91 million; and the carrying amounts of the Group's right-of-use assets amounted to HK$16 million (collectively the "Non-current Operating Assets"). No impairment loss of the Non-current Operating Assets was recognised in the consolidated income statement for the year ended 31 December 2022. Management considered that there is still uncertainty on continuous profitability of the Group despite the Group achieved profit for the year ended of 2022 and 2021 after consecutive losses (after deducting non-recurring gains and losses) in the previous years, which is the indicator of impairment of the Non-current Operating Assets. Therefore, the management performed an impairment assessment to determine the recoverable amount of the cash-generating unit to which the Non-current Operating Assets belong (the "CGU"). The recoverable amount of the CGU has been determined by management based on the higher of fair value less costs of disposal ("FVLCOD") and value-in-use ("VIU") of the CGU as determined using the discounted cash flow model. These involved key parameters and inputs including determination of estimated revenue growth rate, discount rate as well as estimated market value of the Group's land use rights.	Our audit procedures relating to management's impairment assessment of the Non-current Operating Assets included: • Understood and evaluated the management's internal controls over the impairment assessment of non-current operating assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Obtained an understanding of and evaluated the Group's accounting policy for assessing the impairment of non-current assets; • Evaluated the reasonableness of management's determination that the VIU of the CGU was higher than its FVLCOD as at the year-end date; • With the support of our in-house experts, examined the VIU model adopted by management in determining the recoverable amount of the CGU and assessed its appropriateness;

Key Audit Matter	How our audit addressed the Key Audit Matter
Management's assessment indicated that the VIU of the CGU was higher than its FVLCOD as at 31 December 2022 and therefore adopted VIU as the recoverable amount. As the VIU of the CGU was higher than the carrying amounts of the Non-current Operating Assets as at 31 December 2022, management concluded that no further impairment against such assets was required to be recognised and also, no reversal of the impairment was required to be made for the year ended 31 December 2022. The estimation of recoverable amounts is subject to high degree of estimation uncertainty, and the inherent risk in relation to the impairment assessment of Non-current Operating Assets is considered significant due to subjectivity of significant assumptions and estimates used. We focused on auditing the impairment of Non-current Operating Assets and identified impairment assessment of Non-current Operating Assets as a key audit matter.	• Evaluated the factors considered by management in the determination of revenue growth rates and applicable discount rate as well as estimated market value of the Group's land use rights adopted in the VIU model; • Assessed the reasonableness of the above key assumptions by comparing to the historical performance and applicable range of discount rates developed based on the relevant public financial information of the selected comparable companies and other relevant market information available; • Performed sensitivity analysis on the key inputs and parameters to assess the possible impacts to the VIU amount as determined by management; and • Checked the accuracy of inputs and tested the mathematical calculation of the VIU amount. Based on the procedures performed, we considered the key judgement and estimates as adopted by management in the impairment assessment of the Non-current Operating Assets were supported by available evidence.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hon Chong Heng.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers	5	**241,363**	305,950
Cost of sales of goods	6, 28(c)	**(149,010)**	(184,019)
Gross profit		**92,353**	121,931
Distribution costs	6	**(44,434)**	(48,428)
Administrative expenses	6	**(44,880)**	(51,801)
Net impairment reversal on financial assets	3.1(b)	**788**	655
Other income, other gains and losses – net	8	**9,256**	7,973
Operating profit		**13,083**	30,330
Finance income	11	**2,477**	2,702
Finance costs	11	**(67)**	(77)
Finance income – net	11	**2,410**	2,625
Profit before income tax		**15,493**	32,955
Income tax expense	12	**–**	(20)
Profit for the year		**15,493**	32,935
Profit attributable to:			
Owners of the Company		**16,333**	32,811
Non-controlling interests		**(840)**	124
		15,493	32,935
		HK$ cents	*HK$ cents*
Profit per share attributable to the owners of the Company			
– Basic and diluted earnings per share	13	**1.31**	2.63

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 *HK$'000*	2021 *HK$'000*
Profit for the year	**15,493**	32,935
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(27,437)**	9,438
Total comprehensive (loss)/income for the year	**(11,944)**	42,373
Total comprehensive (loss)/income for the year is attributable to:		
– Owners of the Company	**(9,576)**	41,721
– Non-controlling interests	**(2,368)**	652
	(11,944)	42,373

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

Consolidated Balance Sheet

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*14*	**67,187**	73,993
Right-of-use assets	*15*	**16,193**	19,826
Other receivables	*16(b)*	**1,938**	–
Investment in an associate	*10*	**–**	–
Deferred income tax assets	*25*	**–**	–
Total non-current assets		**85,318**	93,819
Current assets			
Trade receivables	*16(a), 28(d)*	**8,627**	13,801
Notes receivable	*17*	**11,820**	8,581
Other receivables	*16(b)*	**7,892**	5,637
Prepayments	*16(c), 28(e)*	**12,356**	29,126
Inventories	*18*	**238,369**	250,565
Cash and cash equivalents	*19*	**161,210**	196,808
Total current assets		**440,274**	504,518
Total assets		**525,592**	598,337
Liabilities			
Non-current liabilities			
Lease liabilities	*15*	**126**	757
Current liabilities			
Trade payables	*23, 28(e)*	**84,494**	99,333
Contract liabilities	*24*	**27,066**	53,882
Other payables and accruals	*23*	**167,456**	184,524
Provision for contingent liabilities	*22*	**–**	487
Lease liabilities	*15*	**864**	1,824
Total current liabilities		**279,880**	340,050
Total liabilities		**280,006**	340,807

	Notes	2022 HK$'000	2021 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	*20*	**124,820**	124,820
Other reserves	*21*	**1,143,456**	1,169,365
Accumulated losses		**(1,038,457)**	(1,054,790)
Capital and reserves attributable to owners of the Company		**229,819**	239,395
Non-controlling interests		**15,767**	18,135
Total equity		**245,586**	257,530
Total equity and liabilities		**525,592**	598,337

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

The financial statements on pages 64 to 121 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf.

Wan Shoupeng
Director

He Chongfu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company					
	Share capital *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
1 January 2021	124,820	1,160,455	(1,087,601)	197,674	17,483	215,157
Comprehensive income						
Profit for the year	–	–	32,811	32,811	124	32,935
Other comprehensive income						
Currency translation differences	–	8,910	–	8,910	528	9,438
Total comprehensive income	–	8,910	32,811	41,721	652	42,373
31 December 2021	124,820	1,169,365	(1,054,790)	239,395	18,135	257,530
1 January 2022	**124,820**	**1,169,365**	**(1,054,790)**	**239,395**	**18,135**	**257,530**
Comprehensive income						
Profit/(loss) for the year	**–**	**–**	**16,333**	**16,333**	**(840)**	**15,493**
Other comprehensive income						
Currency translation differences	**–**	**(25,909)**	**–**	**(25,909)**	**(1,528)**	**(27,437)**
Total comprehensive (loss)/ income	**–**	**(25,909)**	**16,333**	**(9,576)**	**(2,368)**	**(11,944)**
31 December 2022	**124,820**	**1,143,456**	**(1,038,457)**	**229,819**	**15,767**	**245,586**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	26(a)	(17,239)	9,903
Interest received		2,477	2,702
Income tax paid		–	(20)
Net cash (outflow)/inflow from operating activities		(14,762)	12,585
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,499)	(6,043)
Proceeds from disposal of property, plant and equipment		482	1,434
Net cash outflow from investing activities		(3,017)	(4,609)
Cash flows from financing activities			
Principal elements of lease payments		(1,858)	(2,110)
Net cash outflow from financing activities		(1,858)	(2,110)
Net (decrease)/increase in cash and cash equivalents		(19,637)	5,866
Cash and cash equivalents at beginning of year		196,145	182,129
Effects of exchange rate changes on cash and cash equivalents		(15,774)	8,150
Cash and cash equivalents at end of year	19(b)	160,734	196,145

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1 GENERAL INFORMATION

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

The Company and its subsidiaries are hereinafter collectively referred to as the Group. The Company is an investment holding entity and the principal activities of the subsidiaries are manufacturing and sales of wine products (Note 9).

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 28 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets that were measured at fair values.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Annual improvements to HKFRS Standards 2018 – 2020 Cycle, and
- COVID-19-Related Rent Concessions beyond 30 June 2021.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

The Group also elected to adopt the following amendment early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12.

The amendment listed above did not have any impact on the amounts recognised in prior periods and the current year, and is not expected to significantly affect the future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Associates

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

(iii) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iv) Changes in ownership interests (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Separate financial statements

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who are the executive directors. The chief operating decision maker is responsible for assessing the financial performance and position of the Group, and makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and presentation currency. The functional currency of the Company's subsidiaries in the PRC is Renminbi.

(ii) Transactions and balances

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

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(b) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

–	Buildings and constructions	20 years
–	Plant and machinery	5-10 years
–	Motor vehicles	4-5 years
–	Furniture and equipment	3-5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.7 Intangible assets

Goodwill

Goodwill is measured as described in Note 2.8. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets *(continued)*

Goodwill (continued)

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

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group's non-current operating assets, primarily include property, plant and equipment and right-of-use assets, (collectively the "Non-current Operating Assets"). Despite the Group achieved profit for the year ended of 2021 and 2022 after consecutive losses (after deducting non-recurring gains and losses) in the previous years, there is still uncertainty on continuous profitability which indicated that the Group's Non-current Operating Assets might still have impairment as at 31 December 2022.The Directors have assessed the recoverable amounts of these Non-current Operating Assets as at 31 December 2022 and are of the view that no further impairment provision has to be provided and no reversal of the impairment on these Non-Current Operating Assets are necessary to be made for the year ended 31 December 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

(iv) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 16 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Inventories

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

2.11 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 16 for further information about the Group's accounting for trade receivables and Note 2.9 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity (Note 20).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Trade and other payables

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

2.15 Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

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

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Current and deferred income tax *(continued)*

(ii) Deferred income tax (continued)

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

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

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16 Employee benefits

(i) Short-term obligations

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

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

(ii) Post-employment obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits *(continued)*

(ii) Post-employment obligations (continued)

Pension obligations

The employees of the Group's subsidiaries in the PRC are members of a state-managed employee pension scheme operated by the Tianjin municipal government which undertakes to assume the retirement benefit obligations of all existing and future retired employees.

The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.17 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Provisions *(continued)*

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 Revenue recognition

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

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

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

2.19 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Earnings per share *(continued)*

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted-average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

(i) Buildings

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases *(continued)*

(i) Buildings (continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases *(continued)*

(i) Buildings (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of warehouse and office are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

(ii) Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses (Note 2.8). Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating license period, whichever is shorter.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Government grants

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

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

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

2.22 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 31 December 2022, the Group does not use any derivative financial instruments to hedge certain risk exposures.

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

- the transactions of the Company are mainly denominated in HK$, which is the functional currency of the Company; and
- the operations and customers of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi, which is the functional currency of the Group's subsidiaries.

(ii) Interest rate risk

For the years ended 31 December 2022 and 2021, the Group had no borrowings or significant interest-bearing assets, other than bank deposits, the Group's operating income and cash flows were substantially independent of changes in market interest rates.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

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

(i) Risk management

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

The Group mitigates its exposure to credit risk by placing deposits with stated-owned banks in the PRC and other financial institutions with established credit rating. The Group has policies in place to ensure that sales of procedures are made to customers with an appropriate financial strength and credit history.

(ii) Impairment of financial assets

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

- trade receivables for sales of products
- other receivables

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

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

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for both trade receivables, except notes receivable which are bank acceptance bills with low credit risk:

	Current HK$'000	More than 30 days past due HK$'000	More than 90 days past due HK$'000	More than 270 days past due HK$'000	Total HK$'000
31 December 2022					
Expected loss rate	**0%**	**70%**	**90%**	**100%**	
Gross carrying amount – trade receivables	**8,503**	**346**	**203**	**12,551**	**21,603**
Loss allowance	**0**	**242**	**183**	**12,551**	**12,976**
31 December 2021					
Expected loss rate	0%	5%	10%	100%	
Gross carrying amount – trade receivables	1,035	13,134	321	20,368	34,858
Loss allowance	0	657	32	20,368	21,057

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables such as deposit are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligation in the near term. The Group has policies in place to ensure that counter party are financially viable and with an appropriate credit history. As at 31 December 2022, the loss allowance for other receivables was HK$1,137,000 (2021: HK$1,357,000).

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

	2022 HK$'000	2021 HK$'000
Impairment losses		
Reversal of previous impairment losses	788	655

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting periods, the Group held cash and cash equivalents of HK$160,734,000 (2021: HK$196,145,000) (Note 19), trade receivables HK$8,627,000 (2021: HK$13,801,000) (Note 16) and notes receivable of HK$11,820,000 (2021: HK$8,581,000) (Note 17) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

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

(i) Maturities of financial liabilities

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

	Less than one year or on demand	
	2022	2021
	HK$'000	*HK$'000*
Group		
At 31 December		
Lease liabilities – current	**864**	1,824
Trade payables	**84,494**	99,333
Other payables *(Note*)*	**36,362**	89,559
	121,720	190,716

Note:* Other payables did not include payroll payable, amounts due to a shareholder of the Company (Note 23), other tax payables and deposits. The Group's non-current lease liabilities of HK$126,000 (2021: HK$757,000) will be paid within 36 months.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the liability-to-asset ratio. As at 31 December 2022, the Group's liability-to-asset ratio was 53% (2021: 57%).

3.3 Fair value estimation

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

4 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

4.1 Critical accounting estimates

(a) Income taxes

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

4 CRITICAL ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates *(continued)*

(b) Impairment of non-current operating assets

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

(c) Impairment allowance of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. The determination of the impairment allowance for inventories involves significant management judgment and estimates including factors such as historical usage of raw wine, aging profile of the raw materials and finished wine products, historical sales track records, forecasted sales volumes, selling prices as well as selling expenses and physical condition.

(d) Impairment allowance of trade receivables and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

5 SEGMENT INFORMATION

In accordance with the Group's internal reporting, the chief operating decision-maker considers the business from product perspective and has determined the operating segments to be red wines, white wines and all other products primarily related to the sale of sparkling wines, brandy and 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 *HK$'000*	White wines *HK$'000*	Others *HK$'000*	Total *HK$'000*
2022				
Revenue from contracts with customers	**113,726**	**121,845**	**5,792**	**241,363**
Gross profit	**36,859**	**53,815**	**1,679**	**92,353**
Impairment allowance of inventories	**(9)**	**(6)**	**(219)**	**(234)**
Depreciation	**(2,101)**	**(2,251)**	**(107)**	**(4,459)**
Net impairment reversal on financial assets	**371**	**398**	**19**	**788**
2021				
Revenue from contracts with customers	156,113	123,534	26,303	305,950
Gross profit	57,226	58,413	6,292	121,931
Impairment allowance of inventories	(870)	(688)	(146)	(1,704)
Depreciation	(3,241)	(2,564)	(546)	(6,351)
Net impairment reversal on financial assets	335	264	56	655

5 SEGMENT INFORMATION *(continued)*

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

	2022 **HK$'000**	2021 HK$'000
Gross profit for reportable segments	**92,353**	121,931
Distribution costs	**(44,434)**	(48,428)
Administrative expenses	**(44,880)**	(51,801)
Net impairment reversal on financial assets	**788**	655
Other income, other gains and losses – net	**9,256**	7,973
Operating profit	**13,083**	30,330
Finance income – net	**2,410**	2,625
Profit before income tax	**15,493**	32,955

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

(b) During the years, the following two (2021: three) external customers contributed more than 10% of total revenue of the Group. Those revenues were attributed to the red wines and white wines segments.

	2022 **HK$'000**	2021 HK$'000
Customer A	**n/a**	34,835
Customer B	**n/a**	32,857
Customer C	**26,544**	31,588
Customer D	**26,450**	n/a

(c) The majority of sales of the Group were made within the PRC.

6 EXPENSES BY NATURE

	2022	2021
	HK$'000	*HK$'000*
Raw materials and consumables used	**75,085**	114,554
Changes in finished goods and work in progress	**25,118**	8,197
Employee benefit expenses *(Note 7)*	**65,095**	68,469
Consumption tax of domestic sales and other taxes	**21,829**	26,310
Advertising, marketing, and other promotion expenses	**17,822**	15,819
Transportation	**8,011**	8,572
Travelling expenses	**4,172**	4,918
Consultancy and professional fee	**2,847**	4,128
Auditor's remuneration	**2,456**	2,651
Depreciation of right-of-use assets	**2,308**	2,719
Depreciation of property, plant and equipment	**2,151**	3,632
Maintenance expenses	**1,693**	3,454
Warehousing expenses	**1,268**	1,531
Impairment allowance of inventories	**234**	1,704
Operating lease rental expenses	**210**	95
Other expenses	**8,025**	17,495
Total cost of sales of goods, distribution costs, administrative expenses	**238,324**	284,248

7 EMPLOYEE BENEFIT EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Wages and salaries	**51,672**	56,733
Social security costs – other insurances	**6,932**	6,609
Social security costs – retirement insurance	**4,751**	4,189
Other benefits	**1,740**	938
Total employee benefit expense	**65,095**	68,469

7 EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Five highest paid individuals

This year, three non-executive directors of the Company had the same emoluments and were tied for the 5th highest paid. Therefore, the Group's five highest paid for the year have 7 individuals. The emoluments of two (2021: two) executive directors and three (2021: three) non-executive directors are disclosed in the analysis set out in Note 30 and the emoluments of the remaining two (2021: two) individuals for the year are as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Salaries and allowances	**2,140**	2,124
Contributions to retirement benefits scheme	**90**	90
	2,230	2,214

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
Nil – HK$1,000,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	1
	2	2

No emolument was paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office for the year ended 31 December 2022 (2021: Nil).

8 OTHER INCOME, OTHER GAINS AND LOSSES – NET

	2022 **HK$'000**	2021 HK$'000
Write-off of payables with long ageing (a)	**6,954**	–
Government grants	**884**	5,469
Provision for compensation to employees	**448**	2,296
Others	**970**	208
	9,256	7,973

(a) In 2022, the Company performed a check on the payables that were unable to pay and not claimed over 5 years. Based on the checking result with certain evidence obtained, a total amount of HK$6.95 million was written off according to the related laws of the PRC.

9 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation or establishment/ type of legal entity	Principal activities/place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022 **%**	2021 %	**2022** **%**	2021 %
Grand Spirit Holdings Limited	British Virgin Islands/ limited liability company	Investment holding/ Hong Kong	US$200	**100**	100	**–**	–
Smiling East Resources Limited	British Virgin Islands/ limited liability company	Investment holding/ Hong Kong	US$1	**100**	100	**–**	–
Ho Tin International Co., Ltd.	British Virgin Islands/ limited liability company	Investment holding/ Hong Kong	US$1	**100**	100	**–**	–
Dynasty Fine Wines (Asia Pacific) Limited	Hong Kong/limited liability company	Trading of wine products/Hong Kong	HK$10,000,000	**100**	100	**–**	–
Sino-French Joint-Venture Dynasty Winery Ltd.	PRC/limited liability company	Manufacturing and sale of wine products/PRC	RMB407,499,000	**100**	100	**–**	–
Shandong Yu Huang Grape Wine Co., Ltd. ("Yuhuang")	PRC/limited liability company	Manufacturing and sale of unprocessed wine/PRC	RMB6,860,000	**65**	65	**35**	35
Tianjin Tianyang Grape Winery Co., Ltd. ("Tianyang")	PRC/limited liability company	Manufacturing and sale of unprocessed wine/PRC	RMB41,532,000	**60**	60	**40**	40
Tianjin Tianyang Grape Winery Sales Co., Ltd. ("Tianyang Sales")	PRC/limited liability company	Sale of wine products/PRC	RMB500,000	**60**	60	**40**	40

9 SUBSIDIARIES *(continued)*

Name	Place of incorporation or establishment/ type of legal entity	Principal activities/place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022 **%**	2021 %	**2022** **%**	2021 %
Shanghai Dynasty Grape Winery Sales Co., Ltd.	PRC/limited liability company	Sale of wine products/PRC	RMB1,000,000	**100**	100	**–**	–
Tianjin Dynasty Winery Sales Co., Ltd. ("Tianjin Sales")	PRC/limited liability company	Sale of wine products/PRC	HK$50,000,000	**100**	100	**–**	–
Tianjin Dynasty International Winery Co., Ltd.	PRC/limited liability company	Sale of wine products/PRC	RMB50,000,000	**100**	100	**–**	–
Dynasty Fine Wines Group (Xinjiang) Co., Ltd. *(Note*)*	PRC/limited liability company	Manufacturing and sale of unprocessed wine/PRC	RMB5,000,000	**100**	–	**–**	–
Dynasty Fine Wines (Ningxia) Co., Ltd. *(Note*)*	PRC/limited liability company	Manufacturing and sale of unprocessed wine/PRC	RMB5,000,000	**100**	–	**–**	–

Note:* Dynasty Fine Wines Group (Xinjiang) Co., Ltd. and Dynasty Fine Wines (Ningxia) Co., Ltd. were established on 31 March 2022 and 4 March 2022, respectively, and are immediately wholly-owned by the subsidiary Sino-French Joint-Venture Dynasty Winery Ltd.

10 INVESTMENT IN AN ASSOCIATE

Set out below are details of the associate of the Group as at 31 December 2022 and 2021. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value*		Carrying amount	
		2022 **%**	2021 %			**2022** ***HK$'000***	2021 *HK$'000*	**2022** ***HK$'000***	2021 *HK$'000*
Dynasty Yuma Vineyard (Ningxia) Co., Ltd.	PRC	**25**	25	Associate	Equity method	**–**	–	**–**	–

* Private entity – no quoted price available

10 INVESTMENT IN AN ASSOCIATE *(continued)*

As at 31 December 2022, the Group held a 25% equity interest of Dynasty Yuma Vineyard (Ningxia) Co., Ltd. ("Yuma"), an unlisted company established and operating in the PRC as manufacturer and distributor of unprocessed wines with a paid up ordinary share capital of RMB40 million.

There are no contingent liabilities relating to the Group's interest in the associate. The carrying amount of the investment has been reduced to zero since 2012 due to the continuing losses of the associate. The associate becomes inactive without any production activities since October 2011.

11 FINANCE INCOME – NET

	2022 ***HK$'000***	2021 *HK$'000*
Finance income – interest income	**2,477**	2,702
Finance costs – interest paid for lease liabilities	**(67)**	(77)
Finance income – net	**2,410**	2,625

12 INCOME TAX EXPENSE

	2022 ***HK$'000***	2021 *HK$'000*
Current income tax	**–**	20
Deferred income tax	**–**	–
Corporate income tax (CIT)	**–**	20

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

12 INCOME TAX EXPENSE *(continued)*

(a) CIT

	2022 **HK$'000**	2021 HK$'000
Profit before income tax	**15,493**	32,955
Income tax calculated at the PRC tax rate 25%	**3,873**	8,239
Difference in tax rates applicable for entities outside PRC	**242**	17
Expenses not deductible for tax purposes	**57**	237
Changes in the temporary differences for which no deferred income tax asset was recognised	**(1,600)**	279
Utilization of previous years' tax losses for which no deferred income tax asset was recognised	**(8,780)**	(12,536)
Tax losses for which no deferred income tax asset was recognised	**6,208**	3,784
	–	20

The weighted-average effective tax rate for the year ended 31 December 2022 was 27% (2021: 25%).

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

	2022	2021
Profit attributable to owners of the Company *(HK$'000)*	**16,333**	32,811
Weighted-average number of ordinary shares in issue *('000)*	**1,248,200**	1,248,200
Profit attributable to the ordinary equity holders of the Company *(HK$ Cents)*	**1.31**	2.63

(b) Diluted earnings per share

The Group had no dilutive instruments during the years ended 31 December 2022 and 2021 and the Group's diluted earnings per share equal to its basic earnings per share for the years ended 31 December 2022 and 2021.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and constructions HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2021						
Cost	273,418	418,351	109,902	14,253	2,442	818,366
Accumulated depreciation and impairment	(242,432)	(386,234)	(104,939)	(13,926)	–	(747,531)
Net book amount	30,986	32,117	4,963	327	2,442	70,835
Year ended 31 December 2021						
Opening net book amount	30,986	32,117	4,963	327	2,442	70,835
Exchange differences	910	944	138	8	–	2,000
Additions	–	5,731	3,282	–	–	9,013
Disposals	–	(1,169)	(704)	92	–	(1,781)
Transfer	–	–	–	–	(2,442)	(2,442)
Depreciation charge	(1,217)	(1,435)	(903)	(77)	–	(3,632)
Closing net book amount	30,679	36,188	6,776	350	–	73,993
At 31 December 2021						
Cost	281,457	433,317	112,874	12,442	–	840,090
Accumulated depreciation and impairment	(250,778)	(397,129)	(106,098)	(12,092)	–	(766,097)
Net book amount	30,679	36,188	6,776	350	–	73,993
Year ended 31 December 2022						
Opening net book amount	**30,679**	**36,188**	**6,776**	**350**	**-**	**73,993**
Exchange differences	**(2,599)**	**(3,066)**	**(548)**	**(30)**	**-**	**(6,243)**
Additions	**-**	**3,022**	**789**	**-**	**-**	**3,811**
Disposals	**-**	**(1,960)**	**(263)**	**-**	**-**	**(2,223)**
Depreciation charge	**(1,131)**	**(304)**	**(716)**	**-**	**-**	**(2,151)**
Closing net book amount	**26,949**	**33,880**	**6,038**	**320**	**-**	**67,187**
At 31 December 2022						
Cost	**257,614**	**381,670**	**103,283**	**11,524**	**-**	**754,091**
Accumulated depreciation and impairment	**(230,665)**	**(347,790)**	**(97,245)**	**(11,204)**	**-**	**(686,904)**
Net book amount	**26,949**	**33,880**	**6,038**	**320**	**-**	**67,187**

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Directors has assessed the recoverable amounts of the Group's property, plant and equipment and land use rights as at 31 December 2022 and concluded that no further impairment provision has to be provided and no reversal of the impairment has to be made for the year ended 31 December 2022 (2021: Nil).

For the purpose of the impairment assessment, management has determined the recoverable amounts of the red and white wines cash-generating units ("CGU") based on the value-in-use ("VIU") calculations of the CGU.

The key parameters and inputs which are most sensitive for the VIU calculations include the estimated revenue growth rates, discount rates and the estimated market value of the Group's land use rights. The estimated revenue growth rates as adopted in the impairment assessment is 2.0% (2021: 2.0%) throughout the entire forecast periods. The post-tax discount rate as adopted by management in the impairment assessment is 14.9% (2021: 14.9%) which reflects the current market assessment of the time value of money and the risks specific to the CGU.

15 LEASES

(a) Amounted recognised in the balance sheet

	2022	2021
	HK$'000	*HK$'000*
Right-of-use assets		
Land-use rights	**15,433**	17,425
Buildings	**760**	2,401
	16,193	19,826
Lease liabilities		
Current	**864**	1,824
Non-current	**126**	757
	990	2,581

The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets during the 2022 financial year were HK$194,000 (2021: HK$577,000).

15 LEASES *(continued)*

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets		
Land-use rights	(515)	(575)
Buildings	(1,793)	(2,144)
	(2,308)	(2,719)
Interest expense (included in finance costs)	(67)	(77)
Expense relating to short-term leases (included in cost of sales of goods and administrative expenses)	(1,478)	(1,626)

The total cash outflow from leases in 2022 was HK$3,403,000 (2021: HK$3,813,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 12 – 36 months.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

	2022 HK$'000	2021 HK$'000
Trade receivables from contracts with customers	21,603	34,858
Loss allowance *(Note 3.1(b))*	(12,976)	(21,057)
Trade receivables – net	8,627	13,801

16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(a) Trade receivables *(continued)*

The Group grants a credit period of 90 days (2021: 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	2022	2021
	HK$'000	*HK$'000*
Up to 90 days	**8,503**	1,035
More than 30 days past due	**346**	13,134
More than 90 days past due	**203**	321
More than 270 days past due	**12,551**	20,368
	21,603	34,858

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

(i) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values.

(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. Note 3.1(b) provides for details about the calculation of the allowance.

The loss allowance decreased from HK$21,057,000 to HK$12,976,000 for the current year.

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

16 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.

	2022 ***HK$'000***	2021 *HK$'000*
Non-current –		
Deposits paid to electronic commerce platform	**1,938**	–
Current –		
Taxes to be offset	**2,914**	3,570
Expenses to be reimbursed	**1,951**	–
Cash advance to employees and deposits	**607**	429
Other receivables	**3,557**	2,995
	9,029	6,994
Less:loss allowance *(Note 3.1(b))*	**(1,137)**	(1,357)
	7,892	5,637

(c) Prepayments

	2022 ***HK$'000***	2021 *HK$'000*
Prepayments to		
– third parties	**12,025**	28,685
– related parties *(Note 28(e))*	**331**	441
	12,356	29,126

17 NOTES RECEIVABLE

	2022 *HK$'000*	2021 *HK$'000*
Bank acceptance bills	**11,820**	8,581

As at 31 December 2022, notes receivable amounted to HK$11,820,000 (2021: HK$8,581,000) were all bank acceptance bills with maturity dates within 6 months,which are classified as financial assets at FVOCI.

The methods and assumptions used in determining fair value of bills receivable is provided in Note 2.9.

18 INVENTORIES

	2022 *HK$'000*	2021 *HK$'000*
Raw materials *(a)*	**121,899**	158,529
Work in progress *(b)*	**65,785**	38,320
Finished goods *(c)*	**59,956**	64,395
Low value consumables	**24,345**	28,229
	271,985	289,473
Inventory provision *(d)*	**(33,616)**	(38,908)
	238,369	250,565

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

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

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

18 INVENTORIES *(continued)*

(d) Inventory impairment allowance movement

	2022 **HK$'000**	2021 HK$'000
As at 1 January	**(38,908)**	(39,789)
Charges to profit or loss	**(234)**	(1,704)
Utilised upon the sales of the inventories	**2,231**	3,742
Exchange differences	**3,295**	(1,157)
As at 31 December	**(33,616)**	(38,908)

As at 31 December 2022, raw materials and work in progress with costs amounted to HK$23,800,000 (2021: HK$26,396,000) were considered as obsolete, which were redistilled from obsolete finished goods. As at 31 December 2022, finished goods with costs of HK$1,716,000 (2021: HK$3,536,000) were considered as obsolete, while finished goods of HK$7,935,000 (2021: HK$8,814,000) were considered as slow-moving and full provision for impairment allowance have been recognised on these inventories of finished goods. The remaining provision for impairment allowance of inventories of HK$165,000 (2021: HK$162,000) as at 31 December 2022 was recognised to write down the remaining inventories of finished goods to their estimated net realisable values by reference to the market price of certain imported wines.

(e) Inventories recognised as "cost of sales of goods" and "distribution costs" during the year ended 31 December 2022 amounted to HK$98,992,000 and HK$1,211,000 respectively (2021: HK$113,333,000 and HK$9,418,000).

19 CASH AND BANK

(a) Restricted cash

The cash and bank include restricted cash of HK$476,000 (2021: HK$663,000) held by the Group. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

(b) Cash and cash equivalents in cash flow statement

	2022 **HK$'000**	2021 HK$'000
Cash at bank and in hand	**160,734**	196,145

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

20 SHARE CAPITAL

	Number of shares *(thousands)*	Share capital *HK$'000*
At 1 January 2021, 31 December 2021 and 31 December 2022	1,248,200	124,820

21 OTHER RESERVES

	Share premium *HK$'000* *(Note a)*	Merger reserve *HK$'000* *(Note b)*	Reserve fund *HK$'000* *(Note c)*	Enterprise expansion fund reserve *HK$'000* *(Note c)*	Exchange reserve *HK$'000* *(Note d)*	Total *HK$'000*
As at 1 January 2021	464,464	74,519	158,928	94,434	368,110	1,160,455
Currency translation differences	–	–	–	–	8,910	8,910
As at 31 December 2021 and 1 January 2022	464,464	74,519	158,928	94,434	377,020	1,169,365
Currency translation differences	–	–	–	–	(25,909)	(25,909)
As at 31 December 2022	**464,464**	**74,519**	**158,928**	**94,434**	**351,111**	**1,143,456**

(a) Share premium

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

(b) Merger reserve

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

21 OTHER RESERVES *(continued)*

(c) Reserve fund and enterprise expansion fund reserve

According to the Articles of Association of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory financial statements should be transferred to reserve fund and enterprise expansion fund reserve. The percentage of appropriation may be determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion fund reserve can be used for expansion of production facilities or increase in registered capital. In 2022 and 2021, there was no net profit for appropriation.

(d) Exchange reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 2.5 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

22 PROVISIONS FOR CONTINGENT LIABILITIES

	2022	2021
	HK$'000	*HK$'000*
Provision for compensation to employees	**–**	487

In May 2022, the three employees' arbitrations against the subsidiaries of the Company regarding the termination of their employment contracts were closed with no compensation by the Group.

23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Trade payables	**84,494**	99,333
Other payables and accruals		
– Accruals for sales promotion expenditures	**36,362**	55,735
– Amount due to a shareholder of the Company *(a)*	**42,404**	42,404
– Other taxes payables	**23,397**	13,665
– Payroll payable	**29,419**	32,635
– Others	**35,874**	40,085
	167,456	184,524
	251,950	283,857

(a) The amount due to a shareholder of the Company, Tianjin Food Group Company Limited, relating to the previous year's emoluments to certain directors. The amount due to the shareholder is unsecured, interest free and has no fixed terms of repayment.

(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:

	2022 HK$'000	2021 HK$'000
0-30 days	**29,126**	22,000
31-90 days	**966**	6,886
91 to 180 days	**1,906**	820
Over 180 days	**52,496**	69,627
	84,494	99,333

24 CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Advances received from distributors	**27,066**	53,882

25 DEFERRED INCOME TAX

There was no movement in deferred income tax assets or liabilities during the year ended 31 December 2022 and 2021.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2022, the Group did not recognise deferred income tax assets of HK$96,727,000 (2021: HK$127,030,000) in respect of tax losses and others temporary differences which are primarily arising from asset impairment, amounting to HK$339,672,000 and HK$190,018,000 respectively (2021: HK$387,265,000 and HK$249,592,000 respectively) that can be carried forward against future taxable income.

Unrecognised tax losses are expiring as below:

	2022 HK$'000	2021 HK$'000
2022	**–**	53,801
2023	**83,794**	83,794
2024	**224,960**	224,960
2025	**20,926**	20,926
2026	**3,784**	3,784
2027	**6,208**	–
	339,672	387,265

26 CASH FLOW INFORMATION

(a) Cash generated in operations

	2022 HK$'000	2021 HK$'000
Profit before income tax	**15,493**	32,955
Adjustments for:		
Interest income *(Note 11)*	**(2,477)**	(2,702)
Finance costs *(Note 11)*	**67**	77
Depreciation of property, plant and equipment *(Note 14)*	**2,151**	3,632
Depreciation of right-of-use assets *(Note 15)*	**2,308**	2,719
Loss on disposal of property, plant and equipment, net	**1,741**	347
Net impairment reversal on financial assets *(Note 3.1(b))*	**(788)**	(655)
Impairment allowance of inventories *(Note 18)*	**234**	1,704
Change in operating assets and liabilities (excluding the effects of currency translation differences on consolidation):		
– (Increase)/decrease in inventories	**(11,237)**	12,398
– Decrease in trade and other receivables	**266**	19,996
– (Increase)/decrease in notes receivable	**(4,815)**	5,639
– Decrease/(increase) in prepayments	**17,369**	(25,925)
– (Decrease)/increase in trade and other payables and accruals	**(9,987)**	6,530
– Decrease in provision for contingent liabilities	**(542)**	(2,297)
– Decrease in contract liabilities	**(27,022)**	(44,515)
Cash (used in)/generated in operations	**(17,239)**	9,903

(b) Major non-cash transactions

During the year ended 31 December 2022, the Group has endorsed bank acceptance bills with an aggregated amounts of HK$18,963,000 (2021: HK$26,537,000) to the its suppliers as the Group's settlement of the payable balances due to the respective suppliers.

26 CASH FLOW INFORMATION *(continued)*

(c) Net debt reconciliation

	2022	2021
	HK$'000	*HK$'000*
Cash and cash equivalents	**160,734**	196,145
Lease liabilities	**(990)**	(2,581)
Net debt	**159,744**	193,564
Cash	**160,734**	196,145
Gross debt – fixed interest rates	**(990)**	(2,581)
Net debt	**159,744**	193,564

	Cash	**Lease**	**Net debt**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2021	182,129	(4,114)	178,015
Cash flows	5,866	2,110	7,976
Acquisition – leases	–	(577)	(577)
Foreign exchange difference	8,150	–	8,150
As at 31 December 2021	196,145	(2,581)	193,564
Cash flows	**(19,637)**	**1,858**	**(17,779)**
Acquisition – leases	**–**	**(267)**	**(267)**
Foreign exchange difference	**(15,774)**	**–**	**(15,774)**
As at 31 December 2022	**160,734**	**(990)**	**159,744**

27 COMMITMENTS

Non-cancellable operating leases

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

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases (Note 2.20 and Note 15).

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

	2022	2021
	HK$'000	*HK$'000*
Within one year	**363**	133

28 RELATED PARTY TRANSACTIONS

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

Other than the related party balance disclosed in Note 23, the remaining significant related party transactions/balances are summarised as follows.

(a) Related parties

The Group treated the following parties as the major related parties:

Related parties	**Relationship**
Tianjin Food Group Company Limited ("Tianjin Food")	Major shareholder of the Company
Tsinlien Group Company Limited ("Tsinlien Group")	Fellow subsidiary of major shareholder of the Company

28 RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personal compensation

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

	2022	2021
	HK$'000	*HK$'000*
Short-term employee benefits	**5,004**	4,877
Long-term benefits	**332**	323
	5,336	5,200

(c) Transactions with related parties

	2022	2021
	HK$'000	*HK$'000*
(i) Sales of goods		
– Tianjin Food and its subsidiaries and associates	**821**	1,620
(ii) Purchases of goods and services		
– Tianjin Food and its subsidiaries and associates	**–**	4,599

The prices of purchases of goods and services from related parties are determined based on normal commercial terms and conditions.

(d) Outstanding balances arising from sales of goods

	2022	2021
	HK$'000	*HK$'000*
(i) Current receivables from related parties:		
– Tianjin Food and its subsidiaries and associates	**392**	510

28 RELATED PARTY TRANSACTIONS *(continued)*

(e) Outstanding balances arising from purchases of goods and services

	2022 HK$'000	2021 HK$'000
(i) Current payables to related parties:		
– Tianjin Food and its subsidiaries and associates	**35,932**	18,488
– Tsinlien Group and its subsidiaries and associates	**–**	4,040

The payables to related parties bore no interest.

	2022 HK$'000	2021 HK$'000
(ii) Prepayment to related parties		
– Tianjin Food and its subsidiaries and associates	**331**	372
– Tsinlien Group and its subsidiaries and associates	**–**	69

(f) Outstanding balances arising from transfer of debt

	2022 HK$'000	2021 HK$'000
(i) Current payables to related parties:		
– Tianjin Food and its subsidiaries and associates	**11,195**	12,231

29 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2022 *HK$'000*	2021 *HK$'000*
Assets		
Non-current assets		
Property, plant and equipment	**305**	305
Right-of-use assets	**415**	1,895
Interests in subsidiaries	**521,422**	523,809
Dividend receivable from subsidiaries	**104,739**	104,739
Total non-current assets	**626,881**	630,748
Current assets		
Trade receivables	**–**	26
Other receivables and prepayments	**1,362**	1,057
Inventories	**–**	348
Cash and cash equivalents	**1,065**	1,760
Total current assets	**2,427**	3,191
Total assets	**629,308**	633,939
Equity and liabilities		
Capital and reserves attributable to owners of the Company		
Share capital	**124,820**	124,820
Other reserves *(Note (a))*	**904,789**	904,789
Accumulated losses	**(491,330)**	(486,673)
Total equity	**538,279**	542,936
Liabilities		
Non-current liabilities		
Lease liabilities	**–**	574
Current liabilities		
Other payables and accruals *(Note (b))*	**63,505**	61,990
Amount due to subsidiaries	**26,950**	26,950
Lease liabilities	**574**	1,489
Total current liabilities	**91,029**	90,429
Total liabilities	**91,029**	91,003
Total equity and liabilities	**629,308**	633,939

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

(a) Reserve movement of the Company

		Other reserves		
	Accumulated losses *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*
As at 1 January 2021	(484,248)	464,464	331,286	109,039
Loss fo the year	(2,425)	–	–	–
As at 31 December 2021	(486,673)	464,464	331,286	109,039
Loss for the year	(4,657)	–	–	–
As at 31 December 2022	**(491,330)**	**464,464**	**331,286**	**109,039**

(b) As at 31 December 2022, other payables and accruals included amounts totalling HK$42,404,000 (2021: HK$42,404,000) due to a shareholder of the Company (Note 23).

The balance sheet of the Company was approved by the Board of Directors of the Company on 28 March 2023 and was signed on its behalf.

Wan Shoupeng
Director

He Chongfu
Director

30 BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of every director is set out below:

	Fees HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
2022					
Executive Directors					
Mr. Wan Shoupeng	–	–	–	–	–
Mr. Li Guanghe	–	1,400	206	130	1,736
Mr. Huang Manyou	–	881	–	130	1,011
Non-executive Directors					
Mr. Heriard-Dubreuil Francois	360	–	–	–	360
Mr. Wong Ching Chung	360	–	–	–	360
Mr. Robert Luc	360	–	–	–	360
Independent non-executive Directors					
Mr. Yeung Ting Lap Derek Emory	288	–	–	–	288
Mr. Sun David Lee	288	–	–	–	288
Dr. Zhang Guowang	120	–	–	–	120
	1,776	2,281	206	260	4,523
2021					
Executive Directors					
Mr. Wan Shoupeng	–	–	–	–	–
Mr. Li Guanghe	–	1,400	211	125	1,736
Mr. Huang Manyou	–	749	–	125	874
Non-executive Directors					
Mr. Heriard-Dubreuil Francois	360	–	–	–	360
Mr. Wong Ching Chung	360	–	–	–	360
Mr. Robert Luc	360	–	–	–	360
Independent non-executive Directors					
Mr. Yeung Ting Lap Derek Emory	288	–	–	–	288
Mr. Sun David Lee	288	–	–	–	288
Dr. Zhang Guowang	120	–	–	–	120
	1,776	2,149	211	250	4,386

Five Years Summary

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

CONSOLIDATED RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from contracts with customers	**241,363**	305,950	238,673	302,333	344,933
Profit/(loss) before income tax	**15,493**	32,955	178,122	(69,244)	(79,172)
Income tax expense	**–**	(20)	(62,430)	(64)	(71)
Profit/(loss) after income tax	**15,493**	32,935	115,692	(69,308)	(79,243)
Non-controlling interests	**(840)**	124	(686)	3,635	(575)
Profit/(loss) attributable to owners of the Company	**16,333**	32,811	116,378	(72,943)	(78,668)
Dividends	**–**	–	–	–	–

CONSOLIDATED ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS IN EQUITY

	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**85,318**	93,819	92,295	91,769	97,626
Current assets	**440,274**	504,518	494,669	620,460	479,584
Assets classified as held for sale	**–**	–	–	178,068	182,051
Current liabilities	**(279,880)**	(340,050)	(369,713)	(806,570)	(604,106)
Non-current liabilities	**(126)**	(757)	(2,094)	(1,001)	–
Non-controlling interests in equity	**(15,767)**	(18,135)	(17,483)	(17,066)	(13,739)
Capital and reserves attributable to owners of the Company	**229,819**	239,395	197,674	65,660	141,416