

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Dynasty Fine Wines Group Limited

王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 828)

ANNOUNCEMENT – LITIGATION INVESTIGATION REPORT

This announcement is made by Dynasty Fine Wines Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”). As set out in the Company’s announcement dated 31 January 2019 (the “**Announcement**”), the Board’s audit committee (the “**Audit Committee**”) was conducting an internal investigation (the “**Litigation Investigation**”) with the assistance of its legal advisers and a professional third party (the “**Investigator**”) in relation to a claim lodged by the Group for the amount of RMB14,016,268.02 (equivalent to approximately HK\$16,111,000) (the “**Claim**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same as those set out in the Announcement.

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

This announcement sets out, among other things, the summary of the report on the Litigation Investigation dated 19 June 2019 (the “**Litigation Investigation Report**”) prepared by the Investigator, the Audit Committee’s view and the Board’s view on the Litigation Investigation Report.

SUMMARY OF LITIGATION INVESTIGATION REPORT

Background to the Litigation Investigation

- (i) Since October 2017, one of the Group's distributor in Wenzhou, the PRC (the "**Wenzhou Distributor**") entrusted the Group to temporarily store its inventories purchased from the Group, as the Wenzhou Distributor's own warehouse was being demolished;
- (ii) for the period from 1 January 2018 to 31 July 2018, the Group leased a warehouse in Ningbo (the "**Storage**") from Company L; and
- (iii) later in 2018, the Group discovered that one of its other distributors ("**Distributor D**") took inventories from the Storage without compliance with the Storage's collection and delivery procedures. The inventories taken amounted to RMB14,016,268.02 (equivalent to approximately HK\$16,111,000) (the "**Claim Amount**"), of which (i) goods in the amount of RMB7,045,411.80 (equivalent to approximately HK\$8,098,000, the "**Missing Dynasty Inventories**") were owned by the Group; and (ii) goods in the amount of RMB6,970,856.22 (equivalent to approximately HK\$8,013,000) were entrusted inventories (the "**Missing Entrusted Inventories**", together with Missing Dynasty Inventories, the "**Missing Inventories**") of the Wenzhou Distributor.

The Litigation Investigation

The Investigator has noted that:

- (i) the Storage was in fact leased to the Group by Company L on behalf of Distributor D, and was managed by personnel of Distributor D – since the Group's internal policy prohibited leasing warehouses from its distributors, Mr. D (of Distributor D) arranged Company L as lessor to sign the rental contract relating to the Storage (the "**Storage Contract**") for the year of 2018 with the Group. However, Company L had no business relationship with the Group in substance. Employees of the Group denied any knowledge of the arrangement, and no due diligence was performed by the Group on the lessor's background;
- (ii) due to various limitations including that the inventory records maintained by the Storage were not provided to the Investigator and no further information has been provided by Mr. D in this respect, there was no information other than Mr. D's own assertion as to when exactly the Missing Inventories were taken;
- (iii) in March 2018, Distributor D admitted having taken the Missing Inventories. Although Mr. D did represent that the Missing Inventories were sold in the Ningbo market to wholesale markets and supermarkets, Distributor D claimed that information relating to the actual whereabouts of the Missing Inventories (e.g. the names of the buyers of the Missing Inventories, transaction dates, quantities and type of products of each sales transaction etc.) could not be provided to the Investigator due to the lack of co-operation by the employees of Distributor D as a result of suspension of business and overdue in salary and social insurance payments of the employees by Distributor D;

- (iv) in March 2018, Distributor D promised to repay an amount equivalent to the Claim Amount in three instalments by April 2018 (the “**Settlement Plan**”). However, the Settlement Plan had not been honoured;
- (v) in October 2018, the People’s Court of Beichen District, Tianjin, the PRC (the “**Beichen Court**”) endorsed and issued a mediation document (the “**Mediation Document**”). Pursuant to the Mediation Document, among other things:
 - (a) the Group confirmed receipt of RMB1,000,137.60 (equivalent to approximately HK\$1,150,000, the “**Initial Repayment**”) as partial repayment of the Claim Amount;
 - (b) the remaining amount of RMB13,016,130.42 (equivalent to approximately HK\$14,961,000, the “**Compensation**”) should be payable as follows:
 - (1) as to RMB440,000 (equivalent to approximately HK\$506,000) before October 2018 (the “**First Compensation**”);
 - (2) as to a minimum amount of RMB3,800,000 (equivalent to approximately HK\$4,368,000) before 31 January 2019;
 - (3) as to RMB1,800,000 (equivalent to approximately HK\$2,069,000) before 18 April 2019; and
 - (4) as to the remaining amount of the Compensation after deducting items (1) to (3) above by monthly instalment of RMB400,000 (equivalent to approximately HK\$460,000) from February 2019, which shall have been fully paid to the Group by July 2020;
- (vi) Distributor D took the following actions to repay the Claim Amount:
 - (a) by asking another company to place an order (the “**Initial Repayment Purchase**”) on the Group’s dry red wine in April 2018 in the amount of RMB1,000,137.60 (equivalent to approximately HK\$1,150,000, being an amount equivalent to the Initial Repayment), with such purchaser subsequently declaring such amount being the Initial Repayment made on behalf of Distributor D – where the Group recorded the amount as revenue rather than non-operating income or a reduction of non-operating expenses sustained by the Missing Dynasty Inventories, after the purchaser’s declaration regarding the Initial Repayment and with no delivery ultimately made to the purchaser; and
 - (b) by placing an order (the “**Distributor D Purchase**”) of 1,420 cases of the Group’s dry red wine in May 2018 (amounting to approximately RMB279,456 (equivalent to approximately HK\$321,000), which were delivered to the Wenzhou Distributor to make good the difference of equivalent amount of goods temporarily stored by the Wenzhou Distributor at the Storage at the time – which the Group recorded as revenue rather than non-operating income or a reduction of non-operating expenses sustained by the Missing Entrusted Inventories;

(vii) further repayment of the Claim Amount was made to the Group as follows:

- (a) the Group received RMB440,000 (equivalent to approximately HK\$506,000) from the Beichen Court in January 2019, equivalent to the First Compensation stipulated under the Mediation Document – which the Group recorded as non-operating income;
- (b) the Group took out compulsory execution action against Distributor D in February 2019 for payment of RMB12,576,130.42 (equivalent to approximately HK\$14,455,000) (being the amount after deducting the Initial Repayment of RMB1,000,137.60 (equivalent to approximately HK\$1,150,000) and the First Compensation of RMB440,000 (equivalent to approximately HK\$506,000) from the Claim Amount, but without taking into account the Distributor D Purchase of RMB279,456 (equivalent to approximately HK\$321,000));

The table below summarises (i) the subject matters of the Litigation Investigation; (ii) the actions taken by Distributor D and (iii) the Mediation Document issued by the Beichen Court:

	Reference		Date	Amount (RMB)	Approximate Amount (HK\$ equivalent)
Missing Dynasty Inventories	Paragraph headed “Background to the Litigation Investigation” above	Sub-paragraph (iii)	Between 12 February 2018 and 11 March 2018	7,045,411.80	8,098,000
Missing Entrusted Inventories				6,970,856.22	8,013,000
Total				14,016,268.02	16,111,000
Initial Repayment Purchase	Paragraph headed “The Litigation Investigation” above	Sub-paragraphs (v) (a) and (vi) (a)	9 April 2018	1,000,137.60	1,150,000
First Compensation		Sub-paragraphs (v) (b) (1) and (vii) (a)	15 January 2019	440,000.00	506,000
Compulsory execution action against Distributor D in February 2019 for payment				12,576,130.42	14,455,000
Distributor D Purchase	Paragraph headed “The Litigation Investigation” above	Sub-paragraph (vi) (b)	Between 17 and 22 May 2018	279,456.00	321,000
Due by Distributor D				12,296,674.42	14,134,000
Mediation Document	Paragraph headed “The Litigation Investigation”	Sub-paragraph (v) (b) (2)	Before 31 January 2019	3,800,000	4,368,000
		Sub-paragraph (v) (b) (3)	Before 18 April 2019	1,800,000	2,069,000
		Sub-paragraph (v) (b) (4)	By July 2020 – by monthly instalment of RMB400,000 (equivalent to approximately HK\$460,000) from February 2019 to June 2020 with the balance to be paid in July 2020		

(viii) the Group has recorded:

- (a) as of December 2018, a non-operating expense of RMB3,793,445.56 (equivalent to approximately HK\$4,360,000, being the costs of the goods amount after deducting the Initial Repayment from the Missing Dynasty Inventories);
 - (b) the compensation made by the Group to the Wenzhou Distributor for the Missing Entrusted Inventories (in the form of goods as requested by the Wenzhou Distributor) together with the relevant cost as non-operating expenses in 2019;
- (ix) the Group continued to pay Distributor D (as its distributor) marketing support fees, of which RMB2,500,000 (equivalent to approximately HK\$2,874,000) (the “**Distributor D Marketing Support Fees**”) was made in May 2018 despite (a) the sales target set out in the relevant marketing support fee agreements had not been achieved by Distributor D; and (b) Distributor D had not honoured payment of first instalment of the Settlement Plan in April 2018. As the Group focused on the recovery of the Claim Amount, the Group had not yet followed up on the marketing support fees which were yet to be recovered as of the date of this announcement, although the Group did represent it were to recover the Distributor D Marketing Support Fees from Distributor D;

The table below outlined the sales and marketing support fees made to Distributor D during March 2018 to July 2018:

Period	Sales Amount (RMB)	Approximate Sales Amount (HK\$ equivalent)	Marketing Support Fee (RMB)	Approximate Marketing Support Fee (HK\$ equivalent)	Payment method of Marketing Support Fee
March 2018	136,449.60	157,000	161,200.00	185,000	Deduction from prepayment made by Distributor D
April 2018	1,116,524.40	1,283,000	217,425.00	250,000	
May 2018	538,228.80	619,000	2,500,000.00	2,874,000	Cash
June 2018	86,400.00	99,000	–	–	
July 2018	4,890.00	6,000	–	–	
Total	1,882,492.80	2,164,000	2,878,625.00	3,309,000	

- (x) During the Review Period, the Group received payments from Distributor D, some of which were in the form of accepted bank acceptance bills (承兌匯票) issued under the confirming storage arrangement (保兌倉業務) including an amount of RMB6,000,000 (equivalent to approximately HK\$6,897,000) in April 2018 and recorded such as an advanced payment by Distributor D. Distributor D and the Group differed in views as regards whether such bank acceptance bill (承兌匯票) in the amount of RMB6,000,000 (equivalent to approximately HK\$6,897,000) was made as repayment of the Claim Amount or advanced payment for goods purchased by Distributor D; and
- (xi) the entrustment arrangement between the Group and the Wenzhou Distributor started in October 2017, which covered approximately RMB10,000,000 (equivalent to approximately HK\$11,494,000) worth of goods (including the subsequent Missing Entrusted Inventories of approximately RMB6,970,856.22 (equivalent to approximately HK\$8,013,000)), which arrangement was initially made due to demolition of the Wenzhou Distributor's own then existing warehouse. Such inventories thus entrusted to the Group were originally planned to be relocated from the Storage to another warehouse towards the end of 2017 in order to facilitate the Group's year-end stock take as those were required to be separated from the Group's inventories. Such inventories had been accounted for as having been moved away in December 2017 from the Storage in both of the sales and inventory records of the Group. The other warehouse was found to be rented by Company L and once borrowed by Mr. D before.

Suggested financial adjustments

Based on the observations noted above, the Investigator had suggested the following adjustments in the Group's accounting treatment:

- (i) while Distributor D was obliged to make compensation to the Group in relation to the Claim Amount, it also continued to purchase goods from the Group. While Distributor D and the Group differed in views as regards whether a bank acceptance bill (承兌匯票) in the amount of RMB6,000,000 (equivalent to approximately HK\$6,897,000) was made as repayment of the Claim Amount or advanced payment for goods purchased by Distributor D, the Investigator suggested the Group's existing financial treatment of such being recorded as a reduction of advanced payment by Distributor D and an increase in the corresponding bank borrowings based on outstanding balance of bill at the end of 2018;
- (ii) the revenue recorded pursuant to the Initial Repayment Purchase of RMB1,000,137.60 (equivalent to approximately HK\$1,150,000) should be reversed to non-operating income (or a reduction of non-operating expense) because no goods corresponding to this payment had been delivered to the purchaser;
- (iii) the revenue recorded pursuant to the Distributor D Purchase of RMB279,456 (equivalent to approximately HK\$321,000) should be reversed to non-operating income (or a reduction of non-operating expense);
- (iv) the selling expenses representing the Distributor D Marketing Support Fees of RMB2,500,000 (equivalent to approximately HK\$2,874,000) should be reversed as other receivables upon issue of court judgment; and

- (v) the unpaid logistics delivery fees in the amount of RMB37,712 (equivalent to approximately HK\$43,000) charged by logistics company in relation to delivery of the Wenzhou Distributor's inventories had not been settled by the Group, and should be accruing for as other payables and selling expenses.

Internal control

The Investigator recommended the Group to strengthen internal control in the following areas and the management of the Group (the “**Management**”, being executive directors of the Company) responded as follows:

(i) Due diligence of contracting party

The Investigator observed that the Group had signed lease agreement without verifying whether the lessor was the legal owner of the Storage, and as a result, could not effectively control potential risks arising from conflict of interests.

The Management responded by pointing out the Group had conducted a self-check overhaul on all provincial warehouses, which was led by vice presidents of the sales company of the Group in late July 2018. The work included examining warehouse's qualification, acquiring supporting certificates, followed by other examinations. The Group has revised the relevant management policy in May 2019 which stipulates that the operation management department should be responsible for due diligence of qualification of warehouses, and the list of documents required for such purpose. The Group is also pursuing to identify a State-owned or Central Government-owned large scale logistics provider to entrust with management of all provincial warehouses to mitigate risks. Such exercise is expected to be completed by September 2019.

(ii) Control in physical movement of goods

The Investigator found that:

- (a) in respect of the Storage, after the Group issued a “delivery notification” to the Storage provider, the Storage personnel would fill out “delivery notes” (which recorded the type and quantity of the goods delivered). The Group did not monitor or retain records of inventory packing, delivery logistics and collection. Besides, the Group did not request the logistics provider to provide original delivery receipts before payment, even though this was a term stated in the agreement with the logistics provider. During this process, the Group did not have effective control in place over the physical movements of goods, and had not mitigated the risks of book-to-physical difference; and
- (b) no supporting documents showing actual delivery were issued by the logistics provider to the Group, leading to lack of control over the physical movements of goods and potential risks of disputes over the timing of transfer of rights and obligations.

The Management responded that the Group would ask logistics providers to issue delivery notes, and added a workflow in the “Office Automation” approval process to upload delivery notes as a pre-requisite to issuing sales invoice, recognising revenue and settling logistics charges – in order to control the physical movements of goods and would clarify rights and obligations with the logistics provider to mitigate risks. These changes would be incorporated into the Group’s relevant policies. Adjustments of new process had been implemented in May 2019;

(iii) Stock count

The Investigator found that the Group might not have effectively performed stock count of the Storage. Firstly, the stock count was undertaken by sales office employees, which affected the competency and independence of the stock count exercise. Secondly, stock count personnel had not effectively recorded and maintained a complete record of stock count for the Review Period. Lastly, physical stock counts were not performed for certain months, and figures from the records prepared by the Storage were used to fill in the physical stock count reports. All of the above led to inaccuracy and ineffectiveness of the stock count process. As a result, this process did not effectively control risks of book-to-physical difference.

The Management responded that the Group’s headquarters would send representatives to physically supervise the mid-year and year-end stock count every year. For monthly stock count, employees at each office must take stock count seriously, and the stock count personnel and provincial manager will be required to sign, and warehouse companies will be required to stamp the company chop on the results of stock count. These changes had been incorporated into the relevant management policy revised in May 2019, whereby disciplinary actions against non-compliant employees were stipulated. Besides, the Group conducted stock count on a random basis without prior notification, and no anomalies had been found since the implementation of random stock count.

(iv) Handling of bank acceptance bills

The Investigator has found that the Group discounted bank acceptance bills (承兌匯票) on behalf of others and accepted bank acceptance bills under the confirming storage arrangement (保兌倉業務). During approval process of such arrangement, the Group might not have performed a thorough credit assessment on the contracting parties and as a result, the Group did not effectively control the related financial risks.

The Management responded that prior to the Litigation Investigation and in 2018, the Group had identified the risks relating to confirming storage arrangement (保兌倉業務). To mitigate the risks, the Group had ceased accepting such arrangement since 18 April 2018 (including from Distributor D). Besides, the Group has developed and implemented a new policy on business contract management, which stipulates that (i) business contract requires joint approval of multiple departments before signing; and (ii) clarification on the responsible departments for executing the signed contracts in order to mitigate the risks of signing and executing contracts.

(v) Marketing support fee

The Investigator observed that the Group did not stipulate in writing whether marketing support fees would be paid in advance or paid subsequent to achieving the sales targets. In practice approval criteria or approval records were not clear. Regarding the Distributor D Marketing Support Fees, due to litigation between the Group and Distributor D, the Group was unable to obtain supporting documents from Distributor D to determine the authenticity and reasonableness of Distributor D's marketing activities performed as a distributor of the Group.

The Management responded that the Group would (a) evaluate both advance and subsequent payment of marketing support fees, (b) retain supporting documents for review, and (c) properly accrue for and require related supervising departments to conduct sample check for authenticity and reasonableness of marketing support fees. The Distributor D Marketing Support Fees were considered necessary to achieve the agreed sales target, in order to maintain the Group's market share. As the relationship with Distributor D deteriorated due to litigation, the Group was unable to follow up or obtain supporting documents from Distributor D.

THE AUDIT COMMITTEE'S VIEW ON THE LITIGATION INVESTIGATION REPORT

The Audit Committee has reviewed the Litigation Investigation Report and would like to express the following view:

The Audit Committee accepts and adopts the Investigator's factual findings of the concerned matter in the Litigation Investigation Report. Among other things, according to the Litigation Investigation Report, no evidence shows that personnel of the Company were involved in the incident of Distributor D taking delivery of the goods from the Storage without compliance with the normal procedures. However, the Audit Committee believes that the Company, the Management in particular, should make efforts to enhance the internal controls system of the Group and make reference to the internal control considerations proposed in the Litigation Investigation Report.

Regarding the then pre-existing confirming storage arrangement (保兌倉業務) between the Group and Distributor D mentioned in the Litigation Investigation Report, the Management has indicated to the Investigator that they had identified the relevant risks prior to the Litigation Investigation. The Group has ceased accepting relevant arrangement since 18 April 2018. At the same time, the Management has set up and implemented a new policy "Management Measures of Business Contracts" (業務合同管理辦法), which stipulates that the responsible departments and the related personnel should review the qualifications of the counterparties to the contract, including their contract performance ability and the credit status, etc. The Audit Committee will request the Management to strictly implement relevant policies to ensure the implementation of effective monitoring procedures and systems.

With regard to the proposals put forward in the Litigation Investigation Report that the Company may consider strengthening internal control in certain aspects, the Audit Committee accepts that the Company needs to continuously improve its internal control and management system, and has requested the Management to consider them seriously. The Audit Committee notes that the Management has implemented some improvement measures for internal controls, including self-inspection, improvement of warehouse management, revision and implementation of the delivery process, and rules and policies for stock-taking. The Audit Committee believes that the Management will strive to improve the related internal controls. At the same time, the Board also requested the Management to arrange internal control advisers of the Company to perform the relevant monitoring and policies review during the annual review for the year ended 31 December 2019 to ensure the internal control systems are strengthened as identified by the Investigator.

The Audit Committee notes the internal control matters observed by the Investigator and the Management's responses above. In assessing the relevant risks, the Audit Committee notes that the enhancement recommendations mainly relate to processes for external provincial warehouses leased by the Group, and understands from the Management that approximately 4.5% and approximately 2.4% of the Group's inventories were kept at such external provincial warehouses as of 31 December 2017 and 2018 respectively. Despite the fact that only a small percentage of the Group's inventories were and are kept at external warehouses, the Audit Committee considers it important for the Company to address the recommendations identified by the Investigator. In respect of payment of marketing support fees, in particular, payment in advance, the Audit Committee understands from the Management that only a small portion of marketing support fees were paid in advance, and that the Audit Committee has requested the Management to enhance monitoring to ensure the authenticity, the value and reasonableness of such fees.

THE BOARD'S VIEW ON THE LITIGATION INVESTIGATION REPORT

The Board accepted the Litigation Investigation Report and adopted the same view as the Audit Committee.

OTHER INFORMATION

Recovery of the Compensation

As regards recovery of the Compensation, as at the date of this announcement, certain court procedures are still pending regarding auction of certain seized assets of Distributor D and Mr. D.

The Company will make further announcement(s) to inform the Shareholders and potential investors of the Company for further progress in connection with the progress of the above, in particular the recovery of the Compensation and/or improvement on internal control, as and when appropriate.

Consolidated financial statements of the Group for the year ended 31 December 2017 and 2018

As regards the recommendations of the Investigator as set out in the paragraph headed “Suggested financial adjustments” under the section headed “Summary of Litigation Investigation Report” above, the Management had made the necessary assessment and adjustments during the process of the preparation of the consolidated financial statements of the Group for the year ended 31 December 2017 and 2018. The consolidated financial statements for the year ended 31 December 2017 and 2018 were prepared to give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”).

The auditor conducted the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 and 2018 in accordance with Hong Kong Standards on Auditing issued by the HKICPA and as part of the audit, the auditor obtained 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.

Having considered the control deficiencies identified from the Litigation Investigation, the auditor did not design and perform test of controls at the process level so as to obtain sufficient appropriate audit evidence in respect of as to the operating effectiveness of relevant controls of the Group for determining the nature, timing and extent of the substantive procedures required for the audit purposes. Instead, the auditor directly performed substantive procedures in order to obtain sufficient appropriate audit evidence at the assertion level.

The auditor obtained sufficient appropriate audit evidence of the Group to express an unqualified opinion on the consolidated financial statements that give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Hong Kong Financial Reporting Standards issued by HKICPA and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Internal control

As set out in sub-paragraph (iii) under the paragraph headed “The Litigation Investigation” under the section headed “Summary of the Litigation Investigation Report” above, Distributor D admitted that it had taken the Missing Inventories. In late July 2018, the Group conducted a self-check overhaul on all provincial warehouses, which was led by vice presidents of the sales company of the Group and identified deficiencies in the Group’s internal control system, especially in the area of inventory management. The Group remedied its internal control procedures after the self-check. As certain deficiencies were identified during the self-check, the Group requested the scope of the annual internal control review for the year ended 31 December 2018 to cover, among other things, internal control procedures of inventory management. The internal control adviser conducted the annual review and identified certain areas for improvements including but not limited, to internal control procedures relating to inventory management. There were no major internal control issues noted.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 March 2013 and will remain suspended until further notice.

For the purpose of this announcement, the conversation rate of RMB into HK\$ is 0.87.

By order of the Board
DYNASTY FINE WINES GROUP LIMITED
Sun Jun
Chairman

Hong Kong, 25 July 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Sun Jun, Mr. Li Guanghe and Mr. Sun Yongjian, five non-executive Directors, namely, Mr. Heriard-Dubreuil Francois, Ms. Shi Jing, Mr. Jean-Marie Laborde, Mr. Wong Ching Chung and Mr. Robert Luc, and three independent non-executive Directors, namely, Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee.