



DYNASTY

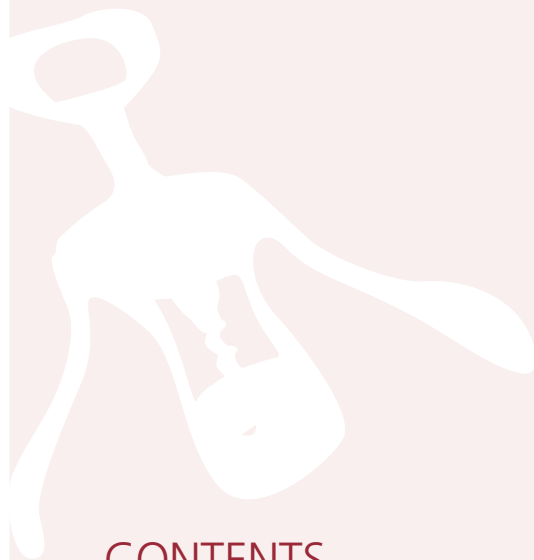
Interim Report 2007  
中期報告



DYNASTY  
Since 1980

Dynasty Fine Wines Group Limited  
王朝酒業集團有限公司

Stock Code 股份代號 : 828



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## CORPORATE PROFILE

Dynasty is a leading premier winemaker with a dominant presence in the PRC wine market. Our brand name, "Dynasty", was recognised as a well-known trademark by the State Administration for Industry and Commerce of the PRC. For nine of the ten years between 1997 and 2006, Dynasty was granted "The Certificate of Best Selling Grape Wines" in the PRC by the China Industry and Enterprise Information Centre.

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

Dynasty has a diversified product portfolio, catering to various price segments and consumer tastes and preferences. We now make and sell over 50 types of wine products in four main categories, namely red wines, white wines, sparkling wines and brandy.

Over the years, Dynasty has sustained a strong financial performance and generated excellent returns for its shareholders. On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited with the stock code 828. Having strong support from our major shareholders — Tianjin Development Holdings Ltd. (882) 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 build a stronger Dynasty for the future of all our stakeholders.

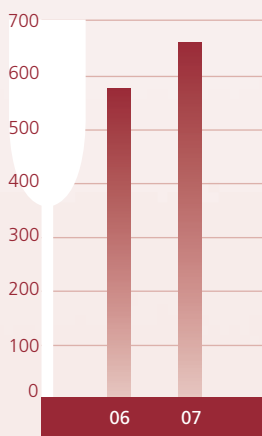


**For the six months  
ended 30 June  
(unaudited)**

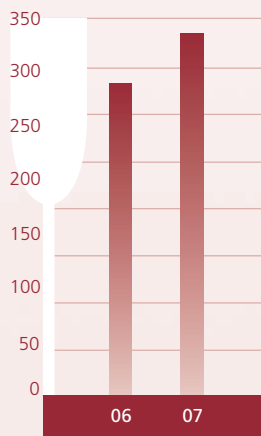
	2007 HK\$'000	2006 HK\$'000	Changes
Turnover	662,324	575,527	+15.1%
Gross Profit	337,426	291,828	+15.6%
Profit attributable to equity holders of the Company	100,048	82,302	+21.6%

	2007	2006	Changes in percentage point
Gross margin	50.9%	50.7%	+0.2%
Net profit margin	15.1%	14.3%	+0.8%

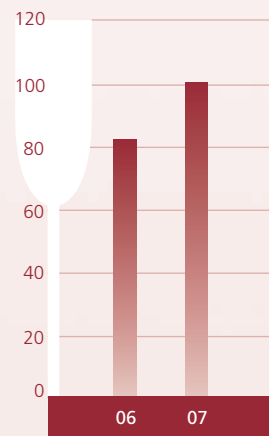
Turnover  
HK\$ million



Gross Profit  
HK\$ million



Profit attributable to  
equity holders of the  
Company  
HK\$ million





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. BAI Zhisheng  
Mr. NIE Jiansheng<sup>(#)</sup>  
Mr. CHEN Naiming

#### Non-Executive Directors

Mr. HÉRIARD-DUBREUIL Francois  
Mr. WANG Guanghao  
Mr. CHEUNG Wai Ying, Benny  
Mr. ZHANG Wenlin  
Mr. WONG Ching Chung<sup>(#)</sup>  
Mr. ROBERT Luc

#### Independent Non-Executive Directors

Mr. LAI Ming, Joseph<sup>(#)</sup><sup>(#)</sup><sup>(#)</sup>  
Dr. HUI Ho Ming, Herbert<sup>(#)</sup><sup>(#)</sup>  
Mr. CHAU Ka Wah, Arthur<sup>(#)</sup><sup>(#)</sup>

# Audit committee members

& Remuneration committee members

### QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. YEUNG Chi Tat

### AUTHORISED REPRESENTATIVES

Mr. NIE Jiansheng  
Mr. YEUNG Chi Tat

### LEGAL ADVISERS

#### Hong Kong

Kirkpatrick & Lockhart Preston Gates Ellis

#### Cayman

Conyers Dill & Pearman, Cayman

#### The People's Republic of China

Global Law Office

### AUDITORS

PricewaterhouseCoopers

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS

#### Hong Kong Office

Unit 1408, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

#### Tianjin Office

No. 29 Jinwei Road, Bei Chen District  
Tianjin City, PRC

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited  
P.O. BOX 513GT, Strathvale House  
North Church Street, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong



## CORPORATE INFORMATION (CONTINUED)

### PRINCIPAL BANKERS

Industrial and Commercial Bank of China  
Commercial Bank  
Bank of China  
The Hongkong & Shanghai Banking  
Corporation  
Rabobank  
China Merchants Bank  
Mizuho Corporate Bank

### STOCK CODE

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

### FINANCIAL YEAR-END DATE

31 December

### INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

### COMPANY WEBSITE

<http://www.dynasty-wines.com>

### SHARE INFORMATION

Listing date	26 January 2005
Stock name	Dynasty Wines
Nominal value	HK\$0.1
Number of issued shares	As at 30 June 2007 1,245,000,000 shares
Board Lot	2,000 shares



## MANAGEMENT DISCUSSION AND ANALYSIS

**Our turnover surged by 15.1% to HK\$662.3 million and profit attributable to equity holders of the Company by 21.6% to HK\$100.0 million**

### INTERIM RESULTS

The Board of Directors (the “Directors”) of Dynasty Fine Wines Group Limited (the “Company”) is pleased to report the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007. These results have been reviewed by the Company’s Audit Committee and the Company’s independent auditor, PricewaterhouseCoopers. All of the Audit Committee members, including the chairman of the Audit Committee are independent non-executive directors.

Turnover amounted to HK\$662.3 million (2006 — HK\$575.5 million) for the six months ended 30 June 2007, representing an increase of 15.1% as compared to the same period in 2006 and our profit attributable to equity holders of the Company was HK\$100.0 million (2006 — HK\$82.3 million), representing an increase of 21.6%.

Earnings per share of the Company (“Share”) for the first half of 2007 amounted to HK8.0 cents (2006 — HK6.6 cents) based on the weighted average number of 1,245,000,000 (2006 — 1,245,000,000) Shares in issue during the period. As there was no material dilutive potential ordinary Share outstanding as at 30 June 2007, dilutive earnings per Share are not presented.

The earnings growth in the first half of 2007 was mainly attributable to the continuing growth in sales volume and the decrease in distribution costs. As a reflection of the strong financial position and generally positive outlook, the Directors have resolved to pay an interim dividend of HK3.6 cents (2006 — HK3.0 cents) per Share.

### FINANCIAL REVIEW

#### Turnover

For the first six months of 2007, the Group achieved satisfactory growth in turnover thanks to increase in sales volume as a result of the forceful marketing and promotional efforts mounted by the Group during the period and supported by organic growth of the overall grape wine market in the PRC. The Group’s turnover for the period increased by 15.1% to HK\$662.3 million, comparing to HK\$575.5 million in the first half of 2006. The Group’s average ex-factory sales prices for red and white wine products during the period under review were comparable to the average price of HK\$22.5 per bottle (750ml) in 2006. Since the consumers in the PRC have a prevalent preference for red wines, the Group is able to set higher prices for its red wine products and therefore the average ex-factory sales prices of the Group’s red wine products are generally higher than its white wine products.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Cost of sales

The following table sets forth the major components of our cost of sales for the period under review:

	For the six months ended 30 June	
	2007 %	2006 %
Cost of raw materials		
— Grapes and grape juice	38	39
— Yeast and additives	2	2
— Packaging materials	26	26
— Others	2	2
Total cost of raw materials	68	69
Manufacturing overheads	12	11
Consumption tax	20	20
Total cost of sales	100	100

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, labels, corks and packing boxes. Due to the decrease in average cost of grapes and grape juice, the cost of grapes and grape juice accounted for approximately 38% of the Group's total cost of sales, representing an decrease of 1% from approximately 39% in the corresponding period in 2006. The total cost of packaging materials as a percentage of turnover remained largely unchanged during the period under review as compared with the corresponding period in 2006.

Manufacturing overheads consist primarily of depreciation or rental of fixed assets, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses for production. During the period under review, manufacturing overheads as a percentage of turnover did not fluctuate significantly as compared with the corresponding period in 2006.

### Gross profit margin

Calculated based on cost of sales inclusive of consumption tax and gross invoiced sales, the overall gross profit margin of the Group improved slightly to 50.9% in the first half year of 2007, from 50.7% in the corresponding period in 2006. The primary reason for the gross profit margin improvement was the lower purchase cost of grape juice as compared to the first half year of 2006. The gross margin of red wine products and white wine products in the first half year of 2007 were 51.6% and 42.4% respectively (2006 — 51.0% and 44.2% respectively). The higher gross margin of the red wine products was mainly due to their higher sales prices.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Other gains

Other gains for the six months ended 30 June 2007 dropped by 30.7% to HK\$19.8 million (2006 — HK\$28.6 million), mainly attributable to:

- (1) A government subsidy of HK\$5.1 million (2006 — HK\$14.5 million) to a subsidiary to encourage its technology development and winemaking improvement in the PRC; offset by
- (2) Increase in interest income from higher bank deposit's interest rates.

### Distribution costs

Distribution costs mainly include advertising and market promotion expenses, transportation and delivery charges in connection with the sales of grape wine products, salaries and related personnel expenses for the sales and marketing department and other incidental expenses. For the six months ended 30 June 2007, the Company had taken strong measures to control advertising and promotion expenses. As a result, distribution costs decreased and accounted for approximately 25.4% (2006 — 32.3%) of the Group's turnover. In particular, advertising and market promotion expenses accounted for approximately 16.4% (2006 — 20.5%) of the Group's turnover.

### General and administrative expenses

General and administrative expenses consist primarily of salaries and related personnel expenses for administrative, finance and human resources departments, write off of obsolete inventories, depreciation and amortisation expense and other incidental administrative expenses.

During the period under review, general and administrative expenses as a percentage of the Group's turnover increased to 7.4% from 4.7% for the corresponding period last year and was mainly due to the larger functional currency exchange loss of HK\$11 million (2006 — HK\$4 million) attributable to our bank deposits denominated in US dollar in connection with the appreciation of Renminbi.

### Taxation expense

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

Pursuant to the relevant income tax rules and regulations of the PRC, the applicable tax rate for Sino-French Joint-Venture Dynasty Winery Limited, our major operating subsidiary and Tianjin Tianyang Grape Extracting Co. Ltd, another subsidiary of the Group, is 24%, being the preferential income tax rate for foreign investment production enterprises established in a coastal zone. The applicable rate for Shandong Yu Huang Grape Wine Co., Ltd., another subsidiary of the Group, is 30%. During the period under review, the effective tax rate of the Group increased to approximately 28.4% (2006 — 23.8%). mainly due to under-provision of profits tax in prior year and more non-tax deductible expenses incurred.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Cash flow

In the first half year of 2007, the Group's source of cash flow was mainly from its operating activities. The Group's cash was used mainly to pay for the acquisition of property, plant and equipment and 2006 final dividends to shareholders. The increase in cash inflow from operating activities from HK\$59.7 million in the first half year of 2006 to HK\$148.7 million in the first half year of 2007 was primarily attributable to the increase in turnover and decrease in distribution costs as well as the effects of the changes in working capital, mainly decrease in inventories.

Net cash used in investing activities was primarily attributable to the acquisition of property, plant and equipment pursuant to our expansion plan less of interest income and amounting to approximately HK\$13.4 million (2006 — HK\$12.1 million).

Net cash outflow in financing activities was primarily attributable to the payment of dividends to shareholders of approximately HK\$14.9 million (2006 — HK\$24.9 million).

### Financial management and treasury policy

As at 30 June 2007, except for the net proceeds from the placing and public offer, the Group's revenues, expenses, assets and liabilities are substantially denominated in Renminbi ("RMB"). The net proceeds from the placing and public offer in 2005 that were not used for the intended purposes have been placed on short-term deposits (denominated in US dollars or Hong Kong dollars) with authorised financial institutions in Hong Kong. The Company also pays dividends in Hong Kong dollars. No hedging or other alternatives have been implemented as it is the policy not to enter into any derivative product for speculative activities. The Group has maintained strong positive cash flows and is in a net cash position, thus we are exposed to minimal financial risk from interest rate fluctuation.

The Group has established an investment policy with the objective of monitoring the investments of the Group's uncommitted funds to ensure the achievement of the highest practicable returns with capital preservation and liquidity as priority focus.

### Liquidity and financial resources

The Group's unrestricted cash and bank balances as at 30 June 2007 amounted to HK\$893.2 million. It has net cash inflow from operating activities ample for satisfying the working capital requirement of the business operations and capital expenditures. New investment will be funded by the Group's internal resources.

### Capital structure

As at 30 June 2007, the Group has no borrowings and was in a significant net cash position, reflecting its sound capital structure. The net proceeds raised from the placing and public offer in 2005 had strengthened the Group's capital structure, giving it sufficient cash to support operating and capital expenditure requirements in the foreseeable future.

The market capitalisation of the Company as at 30 June 2007 was approximately HK\$3,972 million.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Gearing ratio

As at 30 June 2007, the Group had no long-term debts with shareholders' fund of the Group amounted to approximately HK\$1,527 million. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, as at 30 June 2007 was nil (2006 — nil).

### Capital commitments, contingencies and charges on assets

The Group's capital commitments is mainly for intended purchase of fixed assets and production facilities of approximately HK\$178.8 million which were authorised but not contracted for and approximately HK\$10.4 million which were contracted but not provided for in the financial statements as at 30 June 2007. These commitments were mainly to support the expansion of the Group's production capacity and for purchase of barrels. The funding of such capital commitments will be paid out of the listing proceeds as stated in the prospectus dated 17 January 2005.

As at 30 June 2007, the Group had no material contingent liabilities and its assets were free from any charge.

### Material acquisitions and disposals of subsidiaries and associated companies

The Group completed the acquisition of 25% equity interest of Dynasty Yuma Vineyard (Ning Xia) Co. Ltd.\* (王朝御馬酒庄(寧夏)有限公司) at a consideration of HK\$11.5 million on 18 January 2007. The acquisition helps the Group to secure stable and high quality supply of grape juice. Save as mentioned above, the Group had no other material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2007.

### Use of proceeds

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 January 2005. The net proceeds from the successful placing and public offer amounted to approximately HK\$724 million. The satisfactory results of the placing and public offer reflected the confidence of investors in the prospects of our business as well as in the grape wine industry in the People's Republic of China (the "PRC"). The planned usage and the actual use of proceeds are as follows:

Use	Usage as announced HK\$ million	Actual progress HK\$ million
Expansion of existing production facilities	200.0	198.9
Establishment of new production facilities	160.0	0.2
Expansion of sales and distribution network	20.0	—
Acquisition of Smiling East	47.0	47.0
Other acquisition opportunities and general working capital	297.0	15.7
<b>Total</b>	<b>724.0</b>	<b>261.8</b>

We have placed the unutilised net proceeds as short term bank deposits.

\* For identification purpose



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Future plans for material investments or capital assets

To sustain the Group's long term development and crystallise our business plans, we are planning to further expand our production capacity.

## BUSINESS REVIEW

### Sales analysis

During the period under review, the Group recorded satisfactory growth in sales volume as compared to the same period of 2006. The number of bottles of wine sold increased from approximately 26.2 million in the first half year of 2006 to approximately 29.5 million in the first half year of 2007. The primary revenue source of the Group continued to be red wine product sale which accounted for approximately 93.2% of the total turnover for the period (2006 — 94.1%). Dynasty Dry Red, the prototype of its mass market product, remained as the Group's best selling product accounting for approximately 40.2% of the Group's turnover (2006 — 45.9%).

The Group continued to reinforce and expand its edge in nationwide distribution network, and sold our products in all provinces and autonomous regions and four directly-administered municipalities under the central government of the PRC. Huadong region (i.e. the Eastern region of the PRC), which comprise of Shanghai, Zhejiang and Jiangsu provinces continued to be the Group's primary markets. In addition to these primary markets, sales of our products in other markets, such as Guangdong, Jiangxi, Hunan and Hubei provinces etc., were growing. Export sales of the Group's products to overseas market, were insignificant at 0.2% (2006 — 0.2%) of the total turnover during the period as the domestic market was the Group's primary focus.

We produce a diverse range of over 50 products under the "Dynasty" brand to meet different consumer segments in the PRC grape wine market with focus on the medium to high end segments. To attract patronage of high-end consumer, we will introduce more premium products. During the period under review, sales of premium wine products, such as Dynasty Dry Red Wine-Reserve, Dynasty Cabernet Sauvignon Reserve 2004 and Dynasty Chardonnay Reserve 2004, recorded encouraging growth. Although the sales contribution of these products to our turnover was insignificant during the first half year of 2007, we believe these premium product sales will become an increasingly significant income source and a growth driver for us in the future.

### Supplies of grapes or grape juice

Having sufficient supply of quality grapes or grape juice is crucial to ensuring the production for quality wine products. We currently have over 10 major grape juice suppliers, mainly located in Tianjin, Shandong, Hebei and Ningxia, with whom we have established long term and stable relationships. To ensure we have reliable and solid supplies of quality grapes and grape juice to meet the needs of our growing business and fill our expanding production capacity, the Group has been working with our grape growing partners to enlarge their existing vineyards for better economies of scale. We have also identified new suppliers who can meet our quality requirements. For new suppliers, the quality of their produce will be fully tested before orders are placed. Such measures will enable us to secure grape supplies and lower the risk of production being interrupted by change of climate, thus affecting the supply of grapes or grape juice.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Production capacity

The production capacity was expanded to reach 50,000 tonnes (equivalent to approximately 66.7 million bottles) per annum in June 2006. An appropriate site which is adjacent to existing winery in Tianjin was selected for further enhancing the production capacity. During the period, the various stages of design development and planning have been under way for some time. The new production facility, expected to be completed by the end of 2008, will further increase our annual production capacity to 70,000 tonnes (equivalent to approximately 93.3 million bottles). The enlarged production capacity will enable us to promptly respond to the booming market and further consolidate the Group's position and market share.

### Employees

The Group employed 418 staff (including Directors) in Hong Kong and the PRC. The total salaries and related costs incurred for the six months ended 30 June 2007 amounted to HK\$31.2 million. The Group offers competitive remuneration packages commensurate with the industry level and provides various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits to all employees in Hong Kong and in the PRC. In addition, there was an incentive policy which links the staff bonus to the sales and results of the Group, which effectively stimulated the initiatives of the staff. The Group review its human resource and remuneration policies regularly in the light of local legislation, market conditions, industry practice and the performance of both the Group and individuals.

The Company also adopted a share option scheme on 6 December 2004 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of our operations. As at 30 June 2007, 19,900,000 share options were granted and outstanding under the scheme.

## OUTLOOK

Looking ahead, the Group expects competition in PRC grape wine market to remain keen. The Group will continue to take various kinds of measures to enhance margins, control sales and marketing spend, and improve staff motivation and measurement systems. Moreover, the Group will commence phase II of a brand strategy review to craft more effective brand strategies for future marketing. The Group has full confidence of its ability to capitalise on the increasing consumer demand for grape wine products in the PRC boosted by the booming economy. Armed with competitive advantages, such as our reputable brand name, medium to high end segment portfolio and market knowledge, extensive distribution network and consistently expanding and refining product mix, the Group will strive to maintain its strong position in the grape wine market.

While ensuring maximum organic growth in the future, we will continue to identify and pursue acquisition opportunities that bring synergies to our business strategies to help us generate greater value for our shareholders.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK3.6 cents per Share. The interim dividend will be paid to shareholders whose names appear on the Register of Members on Thursday, 18 October 2007. The interim dividend will be paid on Thursday, 1 November 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 October 2007 to Thursday, 18 October 2007, both days inclusive, during which period no transfer of shares will be effected. To be entitled to receive the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 October 2007.

### SHARE OPTION SCHEME

Details of the Company's Share Option Scheme are set out in the published annual report of the Company for the year ended 31 December 2006. Share options are granted to Directors, other than the independent non-executive directors, and employees of the Group to provide incentive and/or reward for their contribution to, and continuing efforts to promote the interest of the Group. Details of the share options granted, exercised, lapsed and cancelled under the Scheme during the period and outstanding as at 30 June 2007 are as follows:

	Outstanding options held at 1 January 2007	Exercised	Lapsed/ Cancelled	Outstanding options held at 30 June 2007	Approximate percentage of issued share capital of the Company
<i>Executive Directors:</i>					
Mr. Bai Zhisheng	2,300,000	—	—	2,300,000	0.18%
Mr. Nie Jiansheng	1,950,000	—	—	1,950,000	0.16%
Mr. Chen Naiming	1,950,000	—	—	1,950,000	0.16%
<i>Non-executive Directors:</i>					
Mr. Heriard-Dubreuil Francois	1,200,000	—	—	1,200,000	0.10%
Mr. Wang Guanghao	900,000	—	—	900,000	0.07%
Mr. Cheung Wai Ying, Benny	900,000	—	—	900,000	0.07%
Mr. Zhang Wenlin	900,000	—	—	900,000	0.07%
Mr. Wong Ching Chung	900,000	—	—	900,000	0.07%
Mr. Robert Luc	900,000	—	—	900,000	0.07%
<i>Other employees</i>	8,000,000	—	—	8,000,000	0.65%
<b>Total</b>	<b>19,900,000</b>	<b>—</b>	<b>—</b>	<b>19,900,000</b>	<b>1.60%</b>



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

All of the above share options (except for the 1,200,000 share options granted to Mr. Bai Zhisheng), were granted on 27 January 2005, with an exercise price of HK\$3.00 and are exercisable from 17 August 2005 to 26 January 2015. 1,200,000 share options were granted to Mr. Bai Zhisheng on 1 November 2006 with an exercise price of HK\$3.00 and are exercisable from 22 May 2007 to 31 October 2016.

### **DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 30 June 2007, the interests and short positions of the Directors, chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the registrar required to be recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### **Rights to acquire Shares**

The interests of the Directors in the share options of the Company as beneficial owner are set out in the section headed "Share Option Scheme" above.

Except as set out above, as at 30 June 2007, none of the Directors, chief executives and their respective associates has any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the registrar 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 companies.

Save as disclosed in this report, at no time during the period 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.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2007, so far as was known to the Directors or chief executive of the Company, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

### Long position in Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Famous Ever Group Limited (Note 1)	Beneficial owner	558,000,000	44.82%
Tianjin Development Holdings Limited (Note 1)	Interest of a controlled corporation	558,000,000	44.82%
Tianjin Investment Holdings Limited (Note 2)	Interest of a controlled corporation	558,000,000	44.82%
Tsinlien Group Company Limited (Note 3)	Interest of a controlled corporation	558,000,000	44.82%
Remy Pacifique Limited (Note 4)	Beneficial owner	336,528,000	27.03%
Remy Concord Limited (Note 4)	Interest of a controlled corporation	336,528,000	27.03%
Remy Cointreau Services S.A.S. (Note 4)	Interest of a controlled corporation	336,528,000	27.03%
Remy Cointreau S.A. (Note 4)	Interest of a controlled corporation	336,528,000	27.03%
Orpar S.A. (Note 4)	Interest of a controlled corporation	336,528,000	27.03%
Andromede S.A. (Note 4)	Interest of a controlled corporation	336,528,000	27.03%
Matthews International Capital Management, LLC	Investment manager	87,272,000	7.01%
The Hamon Investment Group Pte Limited	Investment manager	75,126,000	6.03%

Notes:

- (1) Famous Ever Group Limited is a wholly owned subsidiary of Tianjin Development Holdings Limited ("Tianjin Development"). By virtue of the SFO, Tianjin Development is deemed to be interested in the Shares held by Famous Ever Group Limited.
- (2) Tianjin Investment Holdings Limited ("Tianjin Investment") owns 51.77% shareholdings in Tianjin Development. By virtue of the SFO, Tianjin Investment is deemed to be interested in the Shares held by Tianjin Development.
- (3) Tianjin Investment is a wholly owned subsidiary of Tsinlien Group Company Limited, the ultimate holding company of Tianjin Development. By virtue of the SFO, Tsinlien Group Company Limited is deemed to be interested in the Shares held by Tianjin Investment.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (4) 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 all 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 54.68% of the voting power at general meetings of Remy Cointreau S.A.. Andromede S.A. is entitled to exercise or control the exercise of approximately 79.71% of the voting power at general meetings of Orpar S.A. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A. is deemed to be interested in the Shares held by Remy Pacifique Limited.

Except as set out above, as at 30 June 2007, no person, not being a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares during the financial period under review.

## CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to shareholders and aims to protect and enhance shareholder value through solid corporate governance. Considerable efforts are devoted to identify and formalise best practices. The Group is committed to ensuring greater transparency and quality of disclosures. The Directors have been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring all business is conducted in an honest, ethical and responsible manner and the proper processes for oversight of its businesses are in place, in operation and are regularly reviewed.

During the financial period under review, basically as previously mentioned in our 2006 annual report, none of the Directors was aware of information that would reasonably indicate that Company is not in compliance with the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors had confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2007.

By order of the Board  
**Mr. Bai Zhisheng**  
*Chairman*

Hong Kong, 20 September 2007



## FINANCIAL SECTION

- 18** Report on Review of Interim Financial Information
- 19** Consolidated Income Statement
- 20** Consolidated Balance Sheet
- 21** Consolidated Statement of Changes in Equity
- 22** Condensed Consolidated Cash Flow Statement
- 23** Notes to the Condensed Financial Statements



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

## TO THE BOARD OF DIRECTORS OF DYNASTY FINE WINES GROUP LIMITED

*(incorporated in Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 32, which comprise the consolidated balance sheet of Dynasty Fine Wines Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007 and the related consolidated statements of income, changes in equity and condensed consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 20 September 2007



## CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Turnover	6	662,324	575,527
Cost of sales		(324,898)	(283,699)
Gross profit		337,426	291,828
Other gains	6	19,802	28,586
Distribution costs		(168,274)	(186,110)
General and administrative expenses		(48,884)	(26,767)
Operating profit	7	140,070	107,537
Share of profit of an associate		3	—
Profit before income tax		140,073	107,537
Income tax expense	8	(39,740)	(25,613)
Profit for the period		100,333	81,924
Attributable to:			
Equity holders of the Company		100,048	82,302
Minority interests		285	(378)
		100,333	81,924
Dividends	9	44,820	37,350
Earnings per share		HK cents	HK cents
— Basic and diluted earnings per share	10	8.0	6.6

*The Notes on pages 23 to 32 are an integral part of these condensed financial statements.*



## CONSOLIDATED BALANCE SHEET

<b>As at</b>			
	<i>Note</i>	30 June 2007 HK\$'000	31 December 2006 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	11	332,566	313,034
Land use rights		59,065	59,186
Interest in an associate	12	12,277	—
Goodwill		9,421	9,421
Deferred income tax assets		1,320	1,279
		<b>414,649</b>	<b>382,920</b>
Current assets			
Trade receivables	13	105,690	97,521
Other receivables, deposits and prepayments		27,137	42,584
Inventories		358,922	386,035
Cash and bank balances			
— Restricted		2,220	—
— Unrestricted		893,224	764,394
		<b>1,387,193</b>	<b>1,290,534</b>
<b>Total assets</b>		<b>1,801,842</b>	<b>1,673,454</b>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders:			
Share capital	14	124,500	124,500
Other reserves	15	1,047,347	1,005,481
Retained earnings			
— Proposed dividend		44,820	14,940
— Others		310,107	254,879
		<b>1,526,774</b>	<b>1,399,800</b>
Minority interests		31,345	30,098
<b>Total equity</b>		<b>1,558,119</b>	<b>1,429,898</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade payables	16	65,920	44,000
Other payables and accruals		163,993	195,324
Current income tax liabilities		7,087	4,232
Amount due to an associate	19	6,723	—
<b>Total liabilities</b>		<b>243,723</b>	<b>243,556</b>
<b>Total equity and liabilities</b>		<b>1,801,842</b>	<b>1,673,454</b>
<b>Net current assets</b>		<b>1,143,470</b>	<b>1,046,978</b>
<b>Total assets less current liabilities</b>		<b>1,558,119</b>	<b>1,429,898</b>

The Notes on pages 23 to 32 are an integral part of these condensed financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				Total HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	
Balance at 1 January 2006		124,500	950,981	230,663	31,107	1,337,251
Profit/(loss) for the period		—	—	82,302	(378)	81,924
Transfers		—	(1,416)	1,416	—	—
Currency translation differences	15	—	12,194	—	(662)	11,532
Dividends	9	—	—	(24,900)	—	(24,900)
Balance at 30 June 2006		124,500	961,759	289,481	30,067	1,405,807
Balance at 1 January 2007		124,500	1,005,481	269,819	30,098	1,429,898
Employee share options scheme						
— Value of employee services	15	—	434	—	—	434
Profit for the period		—	—	100,048	285	100,333
Currency translation differences	15	—	41,432	—	962	42,394
Dividends	9	—	—	(14,940)	—	(14,940)
Balance at 30 June 2007		124,500	1,047,347	354,927	31,345	1,558,119

The Notes on pages 23 to 32 are an integral part of these condensed financial statements.



# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

**Unaudited**  
**Six months ended 30 June**

	2007 HK\$'000	2006 HK\$'000
Net cash generated from/(used in):		
— operating activities	148,733	59,700
— investing activities	(13,364)	(12,076)
— financing activities	(17,160)	(24,900)
Net increase in cash and cash equivalents	118,209	22,724
Cash and cash equivalents at 1 January	764,394	763,251
Changes in exchange rate	10,621	—
Cash and cash equivalents at 30 June	893,224	785,975
Analysis of balances of cash and cash equivalents		
Unrestricted cash and bank balances	893,224	785,975

*The Notes on pages 23 to 32 are an integral part of these condensed financial statements.*



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company together with its subsidiaries are hereafter collectively referred to as the Group.

The Group manufactures and sells wine products, through a network of distributors. The Group mainly operates in PRC and Hong Kong with a registered office in Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal address of the Company is in Unit 1408, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

The condensed financial statements were approved for issue on 20 September 2007.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed financial statements should be read in conjunction with the Company’s 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006, except that the Group adopted the following new standards, amendments and interpretations for the accounting period beginning on or after 1 January 2007:

HKAS1	Amendments to Capital Disclosures
HKFRS7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2, Share-based Payment
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments and interpretations do not have a significant impact on the Group’s results and financial position. Full disclosure as required by HKAS 1 and HKFRS 7 will be disclosed in the year-end financial statements.





## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(CONTINUED)

The Group has not adopted the following new/revised standards and interpretations that have been issued but are not effective for 2007. The Group is in the process of assessing the impact of these changes and they do not expect these changes to have a significant impact on the Group's results and financial position.

HKAS 23 (Revised)	Borrowing Costs
HKFRS8	Operating Segments
HK(IFRIC)-Int 11	HKFRS2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

### 3 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2006.

### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

The estimates and assumptions applied in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

### 5 SEGMENT INFORMATION

Manufacturing and sale of wine products is the only business segment of the Group for the periods ended 30 June 2007 and 2006. No geographical analysis is provided as less than 10% of the consolidated turnover, consolidated results and operating assets of the Group are attributable to markets other than the PRC.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

## 6 TURNOVER AND OTHER GAINS

The Group is principally engaged in the manufacturing and sale of wine products. Revenue and other gains recognised during the period are as follows:

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	2007 HK\$'000	2006 HK\$'000
Turnover		
Manufacturing and sale of wine products	662,324	575,527
Other gains		
Interest income	14,751	14,093
Government grants	5,051	14,493
	19,802	28,586
<b>Total revenue and gains</b>	<b>682,126</b>	<b>604,113</b>

## 7 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	2007 HK\$'000	2006 HK\$'000
Employee costs include:		
— salaries, other allowance and benefits	31,929	29,801
— contributions to retirement benefits scheme	3,357	2,059
— share-based payments	434	—
— government subsidy (Note i)	(4,500)	(19,270)
Total employee costs including directors' emoluments	31,220	12,590
Depreciation	17,935	15,766
Amortisation	1,974	519
Operating lease rentals in respect of:		
— transformation station	1,091	1,043
— office premises	713	713



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 7 OPERATING PROFIT (CONTINUED)

Note:

- (i) Prior to 2003, one of the Group's subsidiaries, Sino-French Joint-Venture Dynasty Winery Limited ("Dynasty Winery"), had been making contributions to an external special purpose fund which was managed and approved by the PRC joint venture partner of Dynasty Winery as permitted under the then prevailing PRC regulations. Pursuant to revised regulations issued by the Tianjin Finance Bureau effective 1 January 2003, Dynasty Winery ceased to make further contributions to this fund. In addition, these regulations require any remaining balance of the fund at 31 December 2007 to be transferred to Dynasty Winery. The Group's legal counsel has confirmed that the Group does not have ownership of this fund which effectively belongs to the PRC government and is to be used only for the general welfare of Dynasty Winery's employees. For the period ended 30 June 2007, Dynasty Winery received approximately HK\$4.5 million (2006: HK\$19.3 million) from the fund.

### 8 INCOME TAX EXPENSE

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	2007	2006
	HK\$'000	HK\$'000
Current taxation:		
— PRC income tax	37,815	25,613
— underprovision in prior year	1,925	—
	<b>39,740</b>	<b>25,613</b>

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

Provision for PRC income tax has been made at the applicable rate on the estimated assessable profit for the period for each of the Group's subsidiaries. The applicable rate is principally 24%, being the preferential rate for foreign investment production enterprises established in a coastal economic development zone (2006: 24%).



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

**9 DIVIDENDS**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	2007	2006
	HK\$'000	HK\$'000
2006 final paid, of HK1.2 cents (2005 final paid, of HK2.0 cents) per ordinary share	14,940	24,900
2007 interim declared of HK3.6 cents (2006: HK 3.0 cents) per ordinary share	44,820	37,350
	<b>59,760</b>	<b>62,250</b>

At a meeting held on 20 September 2007, the board of directors declared an interim dividend of HK3.6 cents per ordinary share. This declared dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

**10 EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$100,048,000 (2006: HK\$82,302,000) and the weighted average number of 1,245,000,000 shares (2006: 1,245,000,000) in issue during the period.

The exercise of share options would have no material dilutive effect of earnings per share for the periods ended 30 June 2007 and 2006.

**11 CAPITAL EXPENDITURE**

During the six months ended 30 June 2007, the Group acquired property, plant and equipment amounting to approximately HK\$29 million (30 June 2006: HK\$21 million).



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

## 12 INTEREST IN AN ASSOCIATE

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Unlisted shares, at cost		
Group's share of net assets	12,277	—

Note:

Pursuant to the sale and purchase agreement dated 21 April 2006, the Group acquired 25% equity interest of Dynasty Yuma Vineyard (Ning Xia) Co., Ltd ("Yuma") from Tianjin Heavenly Palace Winery Co., Ltd, for a consideration of HK\$11.5 million. The acquisition was completed on 18 January 2007 with an insignificant amount of goodwill.

## 13 TRADE RECEIVABLES

In general, the Group grants a credit period of 30 to 90 days to its customers. The aging analysis of trade receivables is as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Below 30 days	72,362	78,504
30 to 90 days	16,330	10,141
91 to 180 days	13,454	3,793
Over 180 days	4,394	5,907
	106,540	98,345
Less: Provision for doubtful debts	(850)	(824)
	105,690	97,521



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

## 14 SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
<b>Authorised, ordinary shares of HK\$0.1 each:</b>		
As at 30 June 2007 and 31 December 2006	3,000,000,000	300,000
<b>Issued and fully paid:</b>		
As at 30 June 2007 and 31 December 2006	1,245,000,000	124,500

### Share options scheme

Pursuant to the resolutions of the shareholders of the Company on 6 December 2004, a share option scheme (the "Scheme") was approved and adopted.

Under the Scheme, the directors may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors pursuant to the relevant listing rules. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share options schemes of the Company shall not exceed 120 million shares, being 10% of the total number of shares in issue as at the date of listing of the Company's shares unless separate approval is obtained.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Particulars and movements of the share option are as follows:

Option granted	Date of grant	Exercise price HK\$	Outstanding as at 1 January 2007 and 30 June 2007
Directors, other than the independent non-executive directors	27 Jan 2005	3	10,700,000
	1 Nov 2006	3	1,200,000
			11,900,000
Employees	27 Jan 2005	3	7,500,000
	1 Nov 2006	3	500,000
			8,000,000
<b>Total</b>			<b>19,900,000</b>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 15 OTHER RESERVES

	Unaudited						
	Share premium	Merger reserve	Employee share-based compensation reserve	Reserve fund	Enterprise expansion reserve	Exchange reserve	Total
	HK\$'000	(Note i) HK\$'000	HK\$'000	(Note ii) HK\$'000	(Note ii) HK\$'000	HK\$'000	HK\$'000
As at 1 January 2006	689,518	74,519	8,655	63,927	94,293	20,069	950,981
Transfer	—	—	(1,685)	—	—	—	(1,685)
Currency translation differences	—	—	—	—	—	12,194	12,194
As at 30 June 2006	689,518	74,519	6,970	63,927	94,293	32,263	961,490
As at 1 January 2007	689,518	74,519	7,187	78,927	94,375	60,955	1,005,481
Share-based payments	—	—	434	—	—	—	434
Currency translation differences	—	—	—	—	—	41,432	41,432
As at 30 June 2007	689,518	74,519	7,621	78,927	94,375	102,387	1,047,347

Note:

- (i) The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation as disclosed in the Company's prospectus dated 17 January 2005.
- (ii) According to the Articles of Association of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory financial statements should be transferred to reserve fund and enterprise expansion reserve. The percentage of appropriation may be determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in registered capital.

### 16 TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Below 30 days	63,672	41,821
91 to 180 days	—	1,890
Over 180 days	2,248	289
	65,920	44,000



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

## 17 OPERATING LEASE COMMITMENTS

At 30 June 2007, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Transformation station		
— Not later than one year	2,218	1,254
— Later than one year but not later than five years	4,620	—
	<b>6,838</b>	<b>1,254</b>
Office premises		
— Not later than one year	475	1,188

## 18 CAPITAL COMMITMENTS

Capital expenditure commitments relate to intended purchase of fixed assets and production facilities:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Authorised but not contracted	178,751	43,059
Contracted but not provided for	10,397	1,008
	<b>189,148</b>	<b>44,067</b>





NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

## 19 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the period which in the opinion of the directors are conducted in the normal course of the Group's business:

	<b>Unaudited Six months ended 30 June</b>	
	2007 HK\$'000	2006 HK\$'000
Purchase of unprocessed wine from an associate	26,651	20,604
Key management compensation:		
— Salaries and other short-term employee benefits	5,142	4,666
— Other long-term benefits	304	200
— Share-based payments	434	—
	<b>5,880</b>	<b>4,866</b>
	<b>As at</b>	
	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
(Payable to)/advance from an associate for unprocessed wine	(6,723)	230



Dynasty Fine Wines Group Limited  
王朝酒業集團有限公司

## Red Wine

紅葡萄酒



Dynasty Dry Red Wine  
王朝乾紅葡萄酒



Dynasty Merlot Dry Red Wine  
王朝梅鹿輒乾紅葡萄酒



Dynasty Dry Red Wine  
- Aged in Oak Barrels  
王朝木桶陳釀乾紅葡萄酒



## White Wine

白葡萄酒



Dynasty Medium Dry  
White Wine  
王朝半乾白葡萄酒



Dynasty Extra Dry  
White Wine  
王朝乾白葡萄酒

## Sparkling Wine

起泡葡萄酒



Dynasty Sparkling Wine  
(Second Fermentation in bottle)  
王朝工藝瓶式起泡葡萄酒

## Selections available in Hong Kong only

於香港發售之精選產品



Dynasty Chardonnay  
Reserve 2004  
王朝2004年珍藏霞多麗



Royal Selection -  
Dynasty Cabernet Sauvignon  
Reserve 2004  
皇族系列 - 王朝2004年珍藏赤霞珠

## Brandy

白蘭地



Dynasty Fine Brandy - XO  
王朝XO白蘭地



[www.dynasty-wines.com](http://www.dynasty-wines.com)