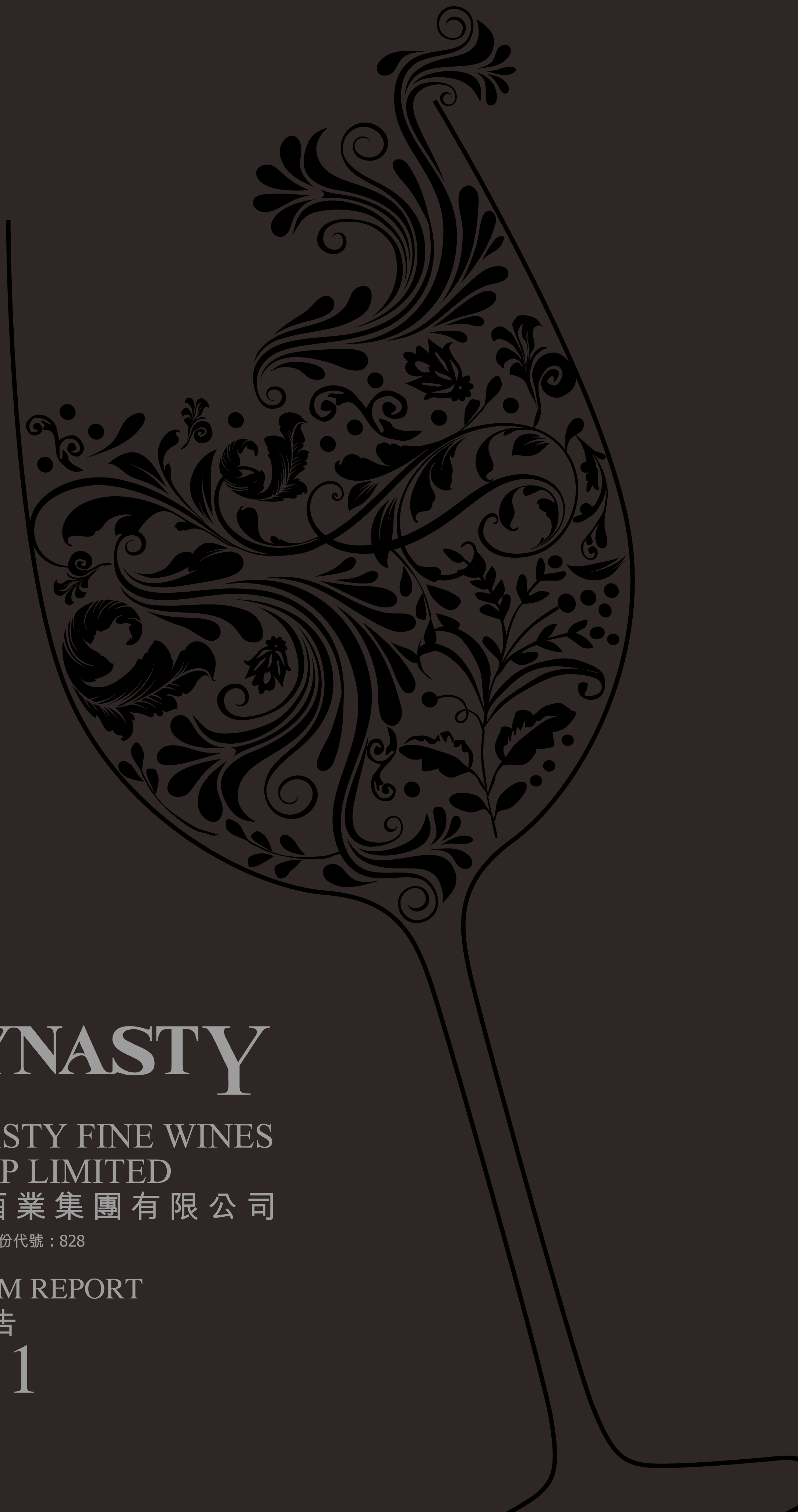


DYNASTY

DYNASTY FINE WINES
GROUP LIMITED
王朝酒業集團有限公司

Stock Code 股份代號：828

INTERIM REPORT
中期報告
2011

Dynasty Wine Dinner
王朝品酒晚宴

Wedding expo.
in Chateau Dynasty
王朝御苑酒堡婚紗展

E. & J. Gallo Winery visited
Chateau Dynasty
美國嘉露公司訪問
王朝御苑酒堡

CONTENTS

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 thirteen of the fourteen years between 1997 and 2010, 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 100 types of wine products in five main categories, namely red wines, white wines, sparkling wines, icewine and brandy.

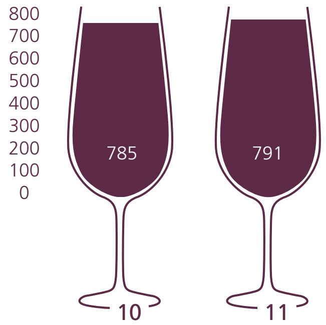
Over the years, Dynasty has sustained a strong financial performance and generated excellent returns for its shareholders. On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited with the stock code 828. Having strong support from our major shareholders — 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.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June (unaudited)		
	2011	2010	
	HK$'000	HK$'000	**Changes**
Revenue	**790,686**	784,848	+1%
Gross Profit	**329,286**	391,726	-16%
Profit attributable to equity holders of the Company	**52,652**	114,110	-54%

			Changes in percentage point
	2011	2010	
Gross profit margin	**42%**	50%	-8%
Net profit margin	**7%**	15%	-8%

Revenue
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. GAO Feng
Mr. HUANG Yaqiang

Non-Executive Directors

Mr. HERIARD-DUBREUIL Francois
Mr. Wu Xuemin
Mr. Jean-Marie LABORDE
Mr. DONG Jingrui(&)
Mr. WONG Ching Chung(&)
Mr. ROBERT Luc

Independent Non-Executive Directors

Dr. HUI Ho Ming, Herbert(#)(&)
Mr. CHAU Ka Wah, Arthur(#)(&)
Mr. YEUNG Ting Lap Derek Emory (#)(&)

Audit committee members
& *Remuneration committee members*

Company Secretary

Mr. YEUNG Chi Tat

Authorised Representatives

Mr. HUANG Yaqiang
Mr. YEUNG Chi Tat

Legal Advisers

Hong Kong

K&L Gates

Cayman

Conyers Dill & Pearman, Cayman

The People's Republic of China

Global Law Office

Auditor

PricewaterhouseCoopers

Registered Office

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

Principal Place of Business

Hong Kong Office

Suite 5506, 55/F, Central Plaza,
18 Harbour Road, Wanchai
Hong Kong

Tianjin Office & Chateau Dynasty

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

Retail Shops

Dynasty Club

273 Heng Shan Road, Xu Hui District, Shanghai

Shanghai Retail Shop

61A Beijing West Road, Huangpu District,
Shanghai

Tianjin Retail Shops

1) 1-7, Ground Floor Store of Haitu Apartment,
12 Hebei Road, Tanggu District, Tianjin

2) 18 Shiying Road, Nankai District, Tianjin

Principal Share Registrar and Transfer Office

HSBC Trustee (Cayman) Limited
P.O. BOX 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China
China Construction Bank
China Everbright Bank
Industrial and Commercial Bank of China
The Hongkong & Shanghai Banking Corporation

Investor Relations Consultant

Strategic Financial Relations (China) Limited

Company Website

http://www.dynasty-wines.com

Direct Sales Website

http://www.i9wang.com (王朝愛酒網)

Share Information

Listing date	26 January 2005
Stock name	Dynasty Wines
Nominal value	HK$0.1
Number of issued shares	As at 30 June 2011 1,248,200,000 shares
Board Lot	2,000 shares

Stock Code

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

Financial Year-end Date

31 December

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue mildly increased by 1% to HK$791 million and profit attributable to equity holders of the Company dropped by 54% to HK$53 million.

Interim Results

The Board of Directors (the "Directors") of Dynasty Fine Wines Group Limited (the "Company") would like to report the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011. The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the first half year of 2011 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. These results have also been reviewed by the Audit Committee. All Audit Committee members, including the chairman of the committee are independent non-executive directors.

During the period under review, the Group's revenue was HK$791 million (2010 — HK$785 million), representing a slight increase of 1% as compared with the corresponding period in 2010 and profit attributable to equity holders of the Company amounted to HK$53 million (2010 — HK$114 million), representing a decrease of 54%.

Earnings per share of the Company ("Share") for the six months ended 30 June 2011 amounted to HK4.2 cents (2010 — HK9.2 cents) per Share based on the weighted average number of 1,248,200,000 Shares (2010 —1,245,000,000 Shares) in issue during the period. There is no potential dilutive share for the six months ended 30 June 2011.

The financial results in the first half of 2011 were attributable to i) the decrease in sales volume resulted from implementation of reform on our sales and distribution model; and ii) the decrease in gross profit margin.

As a reflection of the Group's solid financial position, strong equity base and generally positive outlook, the Directors have resolved to recommend payment of an interim dividend of HK1.5 cents (2010 — HK3.3 cents) per Share.

Financial Review

Revenue

Revenue of the Group represents proceeds from sale of wine products and slightly increased by 1% to approximately HK$791 million in the first half of 2011 from approximately HK$785 million in the first half year of 2010. The mild rise in revenue was mainly attributable to an improved average ex-winery sales price despite a drop in sales volume.

The Group's average ex-winery sales price of red and white wine products during the period under review was higher than the average price of HK$24.5 per bottle (750ml) for the corresponding period in 2010, as a result of shifting the sales mix further to high end products and lower trade discounts offered to distributors. Since consumers in the PRC have a preference for red wines, the Group is able to set higher prices for its red wine products and therefore the average ex-winery sales prices of the Group's red wines are generally higher than those of its white wines.

Cost of sales

The major components of cost of sales for the period under review are detailed as follows:

	For the six months ended 30 June	
	2011	2010
	%	%
Cost of raw materials		
— Grapes and grape juice	**41**	40
— Yeast and additives	**2**	3
— Packaging materials	**24**	28
— Others	**1**	2
Total cost of raw materials	**68**	73
Manufacturing overheads	**19**	14
Consumption tax and other taxes	**13**	13
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 comprising bottles, bottle caps, labels, corks and packing boxes. Due to the increase in the average cost of grapes and grape juice, the cost of grapes and grape juice accounted for approximately 41% of the Group's total cost of sales, climbing 1% from approximately 40% in the corresponding period in 2010. The total cost of packaging materials to revenue remained relatively stable during the period under review as compared with the corresponding period in 2010.

Manufacturing overheads primarily consist of depreciation, rental of property, plant and equipment, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses in relation to production. During the period under review, manufacturing overheads as a percentage of revenue increased as compared with the corresponding period in 2010 mainly due to rising labour costs, depreciation and other overheads as a result of the completion of production capacity expansion from 50,000 tonnes to 70,000 tonnes per annum in the fourth quarter of 2010.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. The overall gross profit margin declined to 42% for the six months ended 30 June 2011 from 50% in the corresponding period in 2010, mainly as a result of the impact of (i) the increase in the cost of raw materials (including grapes and grape juice) and manufacturing overheads; (ii) the decrease in the overall proportion of sales of red wine products to the Group's total revenue compared to the corresponding period in 2010 and (iii) the newly imposed city construction tax and education surcharge levied on the Group's subsidiaries in mainland China.

The gross margin of red wine products and white wine products in the first half year of 2011 were 44% and 33% respectively (2010 — 51% and 42% respectively). The higher sales prices and lower cost of raw materials of red wine products explained the higher gross margin of the products.

Other income

Other income for the six months ended 30 June 2011 rose by 13% to HK$20.1 million (2010 — HK$17.7 million), mainly attributable to:

(1) an increase in government grant to HK$14.9 million (2010 — HK$12.3 million) for a subsidiary in the PRC to encourage technological development and improvement in winemaking, and to support enterprise development; which was offset by

(2) a decline in interest income from decrease in bank deposits.

Distribution costs

Distribution costs principally include advertising and market promotion expenses, transportation and delivery charges in connection with the sales of grape wine products, salaries and related personnel expenses of the sales and marketing functions and other incidental expenses. During the period under review, distribution costs accounted for approximately 27% (2010 — 26%) of the Group's revenue. In particular, the advertising and market promotion expenses accounted for approximately 18% (2010 —18%) of the Group's revenue. This percentage remained stable, reflecting the effective management in monitoring and controlling sales and marketing expenditures exactly where they should be by a targeted approach. During the period under review, the Group continued to promote and market the Chateau Dynasty, brand and products effectively through a range of joint promotion with wedding planner companies and local distributors, event sponsorships and exhibitions.

Administrative expenses

Administrative expenses primarily consist of salaries and related personnel expenses of the administrative, finance and human resources departments, net exchange loss, depreciation and amortisation expense and other incidental administrative expenses.

During the period under review, administrative expenses as a percentage of the Group's revenue accounted for 8% (2010 — 7%) and remained relatively stable compared with the corresponding period in 2010.

Income tax expense

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

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the enterprise income tax rate for all the subsidiaries of the Company incorporated in the PRC had been unified at 25% effective from 1 January 2008. During the period under review, the effective tax rate of the Group remained relatively stable at approximately 28% (2010 — 27%).

Cash flow

In the first half year of 2011, operating activities were the Group's main source of cash outflow.

The increase in cash outflow derived from operating activities from HK$6.1 million in the first half year of 2010 to HK$414.3 million in the first half year of 2011 was mainly attributable to (i) the decrease in gross profit, (ii) higher inventories (stocking up of unprocessed wines to reduce the impact of anticipated increase purchase costs of grape juice in 2011 and finished goods in preparation of the increase in sales demand for imported wines), and (iii) decrease in other payables and accruals due to payments to various other creditors in accordance with the payment and settlement terms during the period under review.

Net cash inflow in investing activities amounted to approximately HK$63.5 million (2010 — HK$5.4 million), primarily related to reduced placement of fixed deposits with maturity over 3 months and offset by acquisition of plant and equipment during the period under review as compared with corresponding period in 2010.

Net cash outflow in financing activities was primarily attributable to the payment of dividends to shareholders of approximately HK$34.9 million (2010 — HK$38.6 million).

Financial management and treasury policy

As at 30 June 2011, except for the net proceeds from the placing and public offer, the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). The Group has progressively remitted the net listing proceeds from Hong Kong to the PRC and converted them into RMB shortly after remittance. The remaining unremitted net proceeds not used for the intended purposes have been placed on short-term deposits (denominated in US dollars or Hong Kong dollars) with authorised financial institutions. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Company does not implement any hedging or other derivatives against foreign exchange risk. Although the Group's operation currently would not generate any significant foreign currency exposure which will affect the Group's operation, we continue to closely monitor the foreign currency movements and adopt prudent measures as appropriate.

Armed with sufficient financial resources and in a net cash position with no borrowing, the Group is exposed to minimal financial risk from interest rate fluctuation.

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

Liquidity and financial resources

The liquidity and financial resources position remain strong as the Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents, and fixed deposits as at 30 June 2011 amounted to HK$524 million. It has sufficient financial resources and a strong cash position for satisfying working capital requirements of business development, operations and capital expenditures. New investment opportunities, if any, would be funded by the Group's internal resources.

The Group had no debts, with total equity before non-controlling interests of the Group amounting to approximately HK$2,036 million as at 30 June 2011 ensuring solvency and the Group's ability to continue as a going concern. The Group's gearing ratio, expressed as a ratio of total debts to total equity before non-controlling interests, as at 30 June 2011 was nil (2010 — nil).

Capital structure

The Group had no borrowing and was in a net cash and liquid position as at 30 June 2011, reflecting its sound capital structure. We expect our cash to be sufficient to support our operating and capital expenditure requirements in the foreseeable future.

The market capitalisation of the Company as at 30 June 2011 was approximately HK$2,858 million.

Capital commitments, contingencies and charges on assets

As at 30 June 2011, the Group made capital expenditure commitments, including approximately HK$20.9 million that were authorised but not contracted for and approximately HK$71,000 contracted but not provided for in the financial statements. These commitments were mainly required to support the Group's production capacity expansion's auxiliary facilities and the expansion of sales and distribution network. These capital commitments will be partly funded by the net proceeds from placing and public offer as stated in the listing prospectus dated 17 January 2005 and partly from the internally generated funds of the Group.

As at 30 June 2011, the Group had no material contingent liabilities and the Group's assets were free from any charge.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions or disposal of subsidiaries and associated companies during the six months ended 30 June 2011.

Use of proceeds

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2005. The net proceeds from the placing and public offer amounted to approximately HK$724 million. The planned usage and actual amounts spent are as follows:

Use	**Usage as announced** HK$ million	**Actual progress** HK$ million
Expansion of existing production facilities	200	200
Establishment of new production facilities	160	160
Expansion of sales and distribution network	20	3
Acquisition of Smiling East	47	47
Other acquisition opportunities and general working capital	297	69
Total	724	479

Unutilised net proceeds have been placed as bank deposits with authorised financial institutions.

Future plans for material investments or capital assets

To ensure its long term development, the Group will explore appropriate acquisition or investment opportunities that offer reasonable returns to the Group and its shareholders. We are currently in discussion with and review on a boutique wine company located at the top of New Zealand's South Island, which we consider as possible target of acquisition in the future in order to diversify and enrich our product portfolio and brand, and expand the source of supply of grapes and grape juice from overseas. The owners of the wine company are independent third parties who are not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates. As at the date of this report, no agreement or memorandum of understanding was entered into between the Group and such party in this regard. Announcement(s) will be made in compliance with the Listing Rules (if required) when the formal agreement is reached but it is expected that the transaction contemplated therein will not constitute a notifiable transaction under the definition of Chapter 14 of the Listing Rules.

Business Review

Sales analysis

A) Existing sales channels

During the period under review, the sales revenue has recorded a mild growth compared with the same period last year mainly because the Group is implementing a reform on its sales and distribution model with a view to improve the operational efficiency of the Group. Reform measures include, among other things, (i) co-operating with distributors to strengthen the control on retail price; (ii) enhancing the effective management in monitoring and controlling sales and marketing spending; and (iii) streamlining the existing multi-layered sales and distribution system so as to strengthen our direct control over the sales channel, thereby enhancing efficiency and effectiveness. Purchase orders for the six months ended 30 June 2011 from certain distributors which are affected by the abovementioned reform, especially those in Zhejiang province, have reduced resulting in a decrease in sales volume in that region compared with the same period last year. As Zhejiang province is part of the Huadong region which is the Group's strongest market in mainland China, the decrease in sales of that region had an impact on the overall sales volume of the Group.

The total number of bottles of wine sold decreased from approximately 32.1 million in the first half year of 2010 to approximately 30.9 million in the first half year of 2011. Sales of red wines continued to be the Group's primary revenue contributor accounting for approximately 81% of the Group's total revenue for the period (2010 — 84%).

In order to consolidate the Group's position in the Huadong region (i.e., the eastern region of the PRC including Shanghai City, Zhejiang and Jiangsu provinces) and win market share in other regions, the Group continued to emphasize on expansion and strengthening of our nationwide and extensive sales and distribution network during the period under review. This network supports sales of the Group's products throughout all provinces and autonomous regions and the four directly-administered municipalities under the Central Government of the PRC. We have also extended the sales network to other regional markets such as the South-Central region including Hunan, Hubei and Jiangxi provinces, sales in those markets also grew substantially. Moreover, the Group reported export sales accounting for 0.1% (2010 — 0.1%) of its total revenue during the period.

The Group produces a wide spectrum of more than 100 wine products under the "Dynasty" brand to meet the range of demands and preferences of different consumer groups mainly in the medium to high end segments in the PRC wine market. With effective product strategies and a high quality and diversified product portfolio, the Group firmly believes that the "Dynasty" brand is able to attract savvy consumers with an appreciation for fine wines by offering Dynasty's premium high end products. Sales of premium wine products, such as Dynasty Merlot Dry Red Wine Reserve, Dynasty Merlot Series — Gold Label & Black Label and Dynasty Dry Red Wine — Reserve were greeted enthusiastically and recorded encouraging growth during the period under review. Moreover, the Group also sold foreign brand wines mainly imported from France, Italy, Germany and the United States of America in the PRC wine market through the Group's existing distribution network to bring some classic "old world" and "new world" varietals to cater for a niche market with customers preferring the taste of foreign premium wines only. The Group currently carries more than 350 imported products under more than 100 brands. The sales amount of these imported products in the first half year of 2011 was higher than the whole year of 2010. We believe that with the increasing disposable income of consumers aspiring to a higher status as well as the trappings of upper class enjoyment, the sales of premium Dynasty and imported wines will increase and become major growth drivers for our future development. To boost its market share and sustain its growth, the Group is determined to continue to actively promote and boost the visibility of these wines to the high end market.

B) New sales channels

i) *Dynasty Club and retail shops*

The first "Dynasty Club" was opened in Shanghai in 2009 in order to generate higher awareness of the "Dynasty" brand, targeting the high-end market and cultivating a group of loyal and sophisticated customers. Dynasty Club offers a stylish wine tasting venue as well as spacious wine storage area to top-tier customers in Shanghai. To cater for different needs and preferences of our customers, the Group as at the date of this report had 2 self-operated retail shops in Tianjin, 1 self-operated retail shop in Shanghai and 18 franchised retail shops in various provinces and cities in the PRC, selling a variety of Dynasty wines and our imported wines to customers directly. The contribution from the sales at the Dynasty Club and retail shops was relatively insignificant to our revenue during the first half year of 2011. However we strongly believe that through these sales channels we can attract more people to the grape wine culture and lead the trend towards wine consumption in the regions, and at the same time expand our sales presence, extend our market influence, bring greater attention to the brand and consolidate our leading presence in the PRC. We have strategically planned to develop our franchised retail shops through a progressive and disciplined growth strategy to increase the number of similar establishments in appropriate locations and expect to establish approximately 100 franchised retail shops by the end of this year.

The following table sets out the number of self-operated retail shops and franchised retail shops by regions as at the date of this report:

Region	Number of self-operated retail shops	Number of franchised retail shops	Total
South-Central region	–	13	13
Eastern region	1	3	4
North-West region	–	1	1
Northern region	2	1	3
Total	3	18	21

ii) *Online Sales*

The Group launched a e-commerce business in 2010 by setting up an efficient online platform — www.i9wang.com (王朝愛酒網) to further expand our sales channels and develop a new customer base. Customers can place orders via the internet at this website for Dynasty wines and the imported wines we carry anywhere and anytime. Since the operating cost for the website is relatively low, we enjoy a higher gross profit margin on e-commerce business. It has been running smoothly and recording a steady income. Although the online sales contribution was insignificant during the period under review, we are optimistic of the outlook of the business because research suggests the online trading business in China should grow steadily in the coming years and the country has the world's largest number of internet users. The Group believes that the online platform not only serves as a business-to-customer trading platform between Dynasty and consumers, but also an additional marketing and promotion channel for the brand, therefore it should enhance the overall business potential of the Group.

Supply of grapes or grape juice

Production for quality wines highly depends on sufficient supply of quality grapes or grape juice. Currently, we have more than 10 major grape juice suppliers with whom we have enjoyed long-term relationships, mainly located in Tianjin, Shandong, Hebei, Ningxia and Xinjiang. To ensure we have reliable and solid supplies of quality grapes and grape juices to meet the production needs of our growing business as well as our expanded production capacity, 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. The Group has also kept identifying new suppliers who comply with our quality requirements and thorough tests are conducted on their grape juices before orders are placed. These procedures ensure we procure quality grape and grape juice supplies and also minimise the effect of bad harvests interrupting production. The Group has imported grape juices from overseas, applying the same stringent quality requirements as it has on suppliers in the PRC.

Production capacity

The Group had built and completed in October 2010 the construction of new production and research and development facilities in its Tianjin winery. By then its annual production capacity has been increased to 70,000 tonnes (equivalent to approximately 93.3 million bottles). The expansion has enabled the Group to promptly response to market demand and will also further enhance the overall cost effectiveness in term of unit cost in the long run.

Employees and remuneration policies

The Group employed a workforce of 601 (including Directors) in Hong Kong and the PRC. The increase in manpower occurred mainly due to the reform and growth of business, the Group has to recruit more talented employees in order to cope with these changes. The Group offers competitive remuneration packages commensurate with industry levels and provides various fringe benefits including trainings, medical and insurance coverage as well as retirement benefits to all employees in Hong Kong and the PRC. Employees are encouraged to attend external professional and technical seminars, and other training programmes and courses to improve their business acumen, technical knowledge, professional skills and market awareness. The Group has reviewed and adjusted its human resources and remuneration policies, especially the performance-based bonus award, with reference to local legislations, market conditions, industry practice and achievements of the Group's targets as well as the performance of individual employee.

The Company also adopted a share option scheme ("Share Option Scheme") on 6 December 2004 for the purpose of providing incentives and rewards to eligible participants to encourage contribution to the business success and growth of the Group. As at 30 June 2011, 10,300,000 share options were granted and remained outstanding under the scheme.

Prospects and Future Plans

In the second half year of 2011, the management of the Company will continue in-depth negotiation with some distributors in respect of new cooperation terms of distributorship related to the reform on its sales and distribution model. Despite the impact on its overall sales volume in the near term future (at least until the first half of next year), the Group strongly believes that the programme of reform on sales and distribution model implemented by the Group together with other growth strategies, such as upgrading the product mix, expansion of sales channels and networks, evaluating appropriate acquisition opportunities and distributorships for foreign brand wines, will improve the Group's operational efficiency and maximize the sales revenue of the Group in the long run.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK1.5 cents per Share. The interim dividend will be paid on 13 October 2011 to shareholders whose names appear on the Register of Members on 29 September 2011.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 27 September 2011 to Thursday, 29 September 2011, both days inclusive, during which period no transfer of shares will be effected. To become entitled for 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 pm on Monday, 26 September 2011.

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 2010. Share options are granted to Directors and employees of the Group to provide incentives and/or rewards for their contribution and continuing efforts to promote the interest of the Group. Details of the share options granted, exercised, lapsed and cancelled under the Share Option Scheme during the period and outstanding as at 30 June 2011 are as follows:

	Outstanding options held at 1 January 2011 (Note 1)	**Granted**	**Exercised**	**Lapsed/ cancelled**	**Outstanding options held at 30 June 2011** (Note 1)	**Approximate percentage of the Company's issued share capital**
Executive Director:						
Mr. Bai Zhisheng	2,300,000	—	—	—	2,300,000	0.18%
Non-executive Directors:						
Mr. Heriard-Dubreuil Francois	1,200,000	—	—	—	1,200,000	0.10%
Mr. Zhang Wenlin	900,000	—	—	(900,000)	—	—
Mr. Wong Ching Chung	200,000	—	—	—	200,000	0.02%
Independent Non-executive Director:						
Mr. Chau Ka Wah, Arthur	200,000	—	—	—	200,000	0.02%
Other employees	6,400,000	—	—	—	6,400,000	0.51%
Total	11,200,000	—	—	(900,000)	10,300,000	0.83%

Note 1: These share options (except for the 1,200,000 share options granted to Mr. Bai Zhisheng and 200,000 share options granted to Mr. Chau Ka Wah, Arthur) 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. 200,000 share options were granted to Mr. Chau Ka Wah, Arthur on 16 January 2008 with an exercise price of HK$2.91 and are exercisable from 6 August 2008 to 15 January 2018.

Directors' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 30 June 2011, 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")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as 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:

(i) Interest in the Company

Name of Directors	Personal interests in shares	Number of underlying shares held pursuant to share options	Total interests	Approximate percentage of the Company's issued share capital
Executive Director:				
Mr. Bai Zhisheng	—	2,300,000	2,300,000	0.18%
Non-executive Directors:				
Mr. Heriard-Dubreuil Francois	—	1,200,000	1,200,000	0.10%
Mr. Wong Ching Chung	—	200,000	200,000	0.02%
Independent Non-executive Directors:				
Dr. Hui Ho Ming, Herbert	300,000	—	300,000	0.02%
Mr. Chau Ka Wah, Arthur	—	200,000	200,000	0.02%

(ii) 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 2011, 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), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and 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.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2011, so far as was known to the Directors or chief executive of the Company, the interests or short positions of those persons, other than the 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	44.70%
Tianjin Development Holdings Limited (Note 1)	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Investment Holdings Limited (Note 2)	Interest of a controlled corporation	558,000,000	44.70%
Tsinlien Group Company Limited (Note 3)	Interest of a controlled corporation	558,000,000	44.70%
Remy Pacifique Limited (Note 4)	Beneficial owner	336,528,000	26.96%
Remy Concord Limited (Note 4)	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau Services S.A.S. (Note 4)	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau S.A. (Note 4)	Interest of a controlled corporation	336,528,000	26.96%
Orpar S.A. (Note 4)	Interest of a controlled corporation	336,528,000	26.96%
Andromede S.A. (Note 4)	Interest of a controlled corporation	336,528,000	26.96%

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 54.40% shareholdings in Tianjin Development. By virtue of the SFO, Tianjin Investment is deemed to be interested in the interest of Tianjin Development in the Shares.

(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 interest of Tianjin Investment in the Shares.

(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 52.97% 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 61% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 17.43% 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 78.34% 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.

Saved as disclosed above as at 30 June 2011, 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 had 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 protecting and enhancing shareholder value through solid corporate governance. It devotes considerable efforts in identifying and formalising best practices. It also exerts its best efforts to ensure optimum transparency and the best quality of disclosures. The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring all businesses are 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 period from 1 January 2011 to 19 January 2011, following the resignation of Mr. Lai Ming, Joseph on 1 January 2011, there had remained only two independent non-executive directors on the Board, the number of which falls below the minimum number required under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Furthermore, the number of audit committee members of the Company had also fallen below the minimum number required under Rule 3.21 of the Listing Rules.

On 20 January 2011, following the appointment of Mr. Yeung Ting Lap Derek Emory as an independent non-executive director as well as a member of the audit committee of the Company, the Company has complied with the requirement of minimum number of independent non-executive directors and audit committee members under Rules 3.10(1) and 3.21 of the Listing Rules respectively.

Throughout the financial period under review, save as disclosed above, none of the Directors was aware of information that would reasonably indicate that the Company was not in compliance with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of 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. On enquiries made, all Directors had confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2011.

By order of the Board
Mr. Bai Zhisheng
Chairman

Hong Kong, 25 August 2011

FINANCIAL SECTION

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF DYNASTY FINE WINES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 21 to 36, which comprises the condensed consolidated balance sheet of Dynasty Fine Wines Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and 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 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 this 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, 25 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	**HK$'000**	HK$'000
Revenue	6	**790,686**	784,848
Cost of sales		**(461,400)**	(393,122)
Gross profit		**329,286**	391,726
Other income	6	**20,076**	17,717
Distribution costs		**(215,405)**	(202,633)
Administrative expenses		**(61,825)**	(51,725)
Operating profit	7	**72,132**	155,085
Share of loss of an associate		**(68)**	(529)
Profit before income tax		**72,064**	154,556
Income tax expense	8	**(20,414)**	(41,020)
Profit for the period		**51,650**	113,536
Attributable to:			
Equity holders of the Company		**52,652**	114,110
Non-controlling interests		**(1,002)**	(574)
		51,650	113,536
		HK cents	HK cents
Earnings per share			
— Basic and diluted earnings per share	10	**4.2**	9.2
		HK$'000	HK$'000
Dividends	9	**18,723**	41,085

The Notes on pages 26 to 36 are an integral part of these condensed financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit for the period	**51,650**	113,536
Other comprehensive income		
Currency translation differences	**42,455**	17,821
Total comprehensive income for the period	**94,105**	131,357
Total comprehensive income attributable to:		
Equity holders of the Company	**94,496**	131,646
Non-controlling interests	**(391)**	(289)
	94,105	131,357

The Notes on pages 26 to 36 are an integral part of these condensed financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2011 Unaudited HK$'000	31 December 2010 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**603,828**	599,332
Land use rights		**64,282**	63,576
Goodwill		**9,421**	9,421
Investment in an associate	12	**12,057**	11,855
Deferred income tax assets		**18,390**	19,624
		707,978	703,808
Current assets			
Trade receivables	13	**350,564**	285,583
Other receivables, deposits and prepayments		**59,194**	52,862
Inventories		**882,157**	669,878
Prepaid income tax		**10,896**	—
Short-term deposits with maturity over three months		**122,665**	194,023
Restricted cash	16	**—**	14,336
Cash and cash equivalents		**401,663**	760,265
		1,827,139	1,976,947
Total assets		**2,535,117**	2,680,755
EQUITY			
Capital and reserves attributable to the equity holders of the Company:			
Share capital	14	**124,820**	124,820
Other reserves	15	**1,153,366**	1,146,817
Retained earnings		**758,020**	705,023
		2,036,206	1,976,660
Non-controlling interests in equity		**26,398**	26,789
Total equity		**2,062,604**	2,003,449
LIABILITIES			
Current liabilities			
Trade payables	17	**306,839**	241,729
Other payables and accruals		**165,674**	402,350
Current income tax liabilities		**—**	33,227
Total liabilities		**472,513**	677,306
Total equity and liabilities		**2,535,117**	2,680,755
Net current assets		**1,354,626**	1,299,641
Total assets less current liabilities		**2,062,604**	2,003,449

The Notes on pages 26 to 36 are an integral part of these condensed financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited				
		Attributable to equity holders of the Company				
	Note	**Share capital** HK$'000	**Other reserves** HK$'000	**Retained earnings** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Balance at 1 January 2010		124,500	1,134,459	569,388	27,781	1,856,128
Profit for the period		—	—	114,110	(574)	113,536
Currency translation differences	15	—	17,536	—	285	17,821
Total comprehensive income for the period ended 30 June 2010		—	17,536	114,110	(289)	131,357
Transactions with owners						
Transfers	15	—	33	(33)	—	—
Dividends	9	—	(38,595)	—	(198)	(38,793)
Total transactions with owners		—	(38,562)	(33)	(198)	(38,793)
Balance at 30 June 2010		124,500	1,113,433	683,465	27,294	1,948,692
Balance at 1 January 2011		124,820	1,146,817	705,023	26,789	2,003,449
Profit for the period		—	—	52,652	(1,002)	51,650
Currency translation differences	15	—	41,844	—	611	42,455
Total comprehensive income for the period ended 30 June 2011		—	41,844	52,652	(391)	94,105
Transactions with owners						
Transfers	15	—	(345)	345	—	—
Dividends	9	—	(34,950)	—	—	(34,950)
Total transactions with owners		—	(35,295)	345	—	(34,950)
Balance at 30 June 2011		124,820	1,153,366	758,020	26,398	2,062,604

The Notes on pages 26 to 36 are an integral part of these condensed financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Net cash generated from/(used in):		
— operating activities	**(414,319)**	(6,135)
— investing activities	**63,499**	5,428
— financing activities	**(34,950)**	(38,595)
Net decrease in cash and cash equivalents	**(385,770)**	(39,302)
Cash and cash equivalents at 1 January	**760,265**	778,277
Changes in exchange rate	**27,168**	7,812
Cash and cash equivalents at 30 June	**401,663**	746,787
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	**401,663**	746,787

The Notes on pages 26 to 36 are an integral part of these condensed financial information.

NOTES TO THE CONDENSED FINANCIAL INFORMATION

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 hereinafter collectively referred to as the Group.

The Group produces and sells wine products, through a network of distributors and retail shops. 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 Suite 5506, 55/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The condensed consolidated financial information was approved for issue on 25 August 2011.

2 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with HKFRSs.

The accounting policies of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2010.

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — The name of the government and the nature of their relationship;

  — The nature and amount of any individually significant transactions; and

  — The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

2 Basis of preparation and accounting policies (continued)

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) — Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 2(a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

2 Basis of preparation and accounting policies (continued)

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (continued)

- HKFRS 7 (Amendment) 'Disclosures — Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

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 2010.

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 information are consistent with those used in the annual financial statements for the year ended 31 December 2010.

5 Segment information

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

Other products sold by the Group include sparkling wines, brandy and icewine. These sales have not been included within the reportable operating segments, as they are not included within the reports provided to the key management team.

The key management team assesses the performance of the operating segments based on gross profit, which excludes the effects of tax, depreciation and amortisation and non-recurring expenditure from the operating segments. Other income, distribution costs and administrative expenses are also not included in management's assessment of the performance of the operating segments.

All revenue of the Group are from external customers.

	Unaudited			
	Red wines HK$'000	**White wines** HK$'000	**All other products** HK$'000	**Total group** HK$'000
Six months ended 30 June 2011				
Revenue	**640,301**	**146,971**	**3,414**	**790,686**
Gross profit	**279,111**	**49,047**	**1,128**	**329,286**
Unallocated items:				
Depreciation and amortisation	**—**	**—**	**—**	**(28,637)**
Interest income	**—**	**—**	**—**	**5,210**
Share of loss of an associate	**—**	**—**	**—**	**(68)**
Income tax expense	**—**	**—**	**—**	**(20,414)**
Six months ended 30 June 2010				
Revenue	660,539	121,991	2,318	784,848
Gross profit	339,364	51,477	885	391,726
Unallocated items:				
Depreciation and amortisation	—	—	—	(22,552)
Interest income	—	—	—	5,451
Share of loss of an associate	—	—	—	(529)
Income tax expense	—	—	—	(41,020)

Measurement of total segment assets and reconciliation to total assets are not disclosed as key management team does not assess performance of reportable segments using information on assets.

5 Segment information (continued)

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

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Gross profit for reportable segments	**329,286**	391,726
Other income	**20,076**	17,717
Distribution costs	**(215,405)**	(202,633)
Administrative expenses	**(61,825)**	(51,725)
Operating profit	**72,132**	155,085
Share of loss of an associate	**(68)**	(529)
Profit before income tax	**72,064**	154,556

6 Revenue and other income

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

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Revenue		
Manufacturing and sale of wine products	**790,686**	784,848
Other income		
Interest income	**5,210**	5,451
Government grant	**14,866**	12,266
	20,076	17,717
Total revenue and other income	**810,762**	802,565

7 Operating profit

Operating profit is stated after charging:

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Employee costs comprising:		
— salaries, other allowance and benefits	**65,424**	43,680
— contributions to retirement benefits scheme	**5,791**	5,433
Total employee costs including directors' emoluments	**71,215**	49,113
Depreciation	**27,900**	21,825
Amortisation	**737**	727
Loss on disposal of equipment	**3,372**	—
Operating lease rentals in respect of:		
— transformation station	**1,283**	1,231
— office premises	**1,126**	1,131

8 Income tax expense

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Current income tax:		
— PRC income tax for the period	**17,677**	23,192
— Under-provision in previous year	**1,503**	1,142
	19,180	24,334
Deferred income tax:		
— Reversal of temporary difference	**1,234**	16,686
	20,414	41,020

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 25% (2010: 25%).

9 Dividends

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
2010 final paid, of HK2.8 cents (2009 final paid, of HK3.1 cents) per ordinary share	**34,950**	38,595
2011 interim declared of HK1.5 cents (2010: HK3.3 cents) per ordinary share (Note)	**18,723**	41,085
	53,673	79,680

Note: On 25 August 2011, the board of directors declared an interim dividend of HK1.5 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 share premium for the year ending 31 December 2011.

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$52,652,000 (2010: HK$114,110,000) and the weighted average number of 1,248,200,000 shares in issue during the six months to 30 June 2011 (2010: 1,245,000,000 shares).

There is no dilutive potential share for the period ended 30 June 2011 (2010: As for 2011).

11 Capital expenditure

During the six months ended 30 June 2011, the Group acquired plant and equipment amounting to approximately HK$22 million (2010: HK$42 million).

12 Investment in an associate

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Share of net assets	**12,057**	11,855

13 Trade receivables

The Group grants a credit period of 30 to 180 days to its customers. The aging analysis of the trade receivables is as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Below 30 days	**119,469**	114,219
30 to 90 days	**86,067**	46,245
91 to 180 days	**67,159**	22,472
Over 180 days	**81,899**	106,587
	354,594	289,523
Less: Provision for impairment	**(4,030)**	(3,940)
	350,564	285,583

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi. The balance included bill receivables amounting to about HK$51 million (2010: HK$233 million).

14 Share capital

	Number of ordinary shares of HK$0.1 each	**Share capital** HK$'000
Authorised:		
As at 30 June 2011 and 31 December 2010	3,000,000,000	300,000
Issued and paid up:		
As at 30 June 2011 and 31 December 2010	1,248,200,000	124,820

Share options scheme

Pursuant to the resolution of the equity holders 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.

14 Share capital (continued)

Share options scheme (continued)

Particulars and movements of the share option are as follows:

	Date of grant	Exercise price HK$	Outstanding as at 1 January 2011	Options granted/ (lapsed)	Outstanding as at 30 June 2011
Options granted to directors, other than the independent non-executive directors	27 January 2005	3	3,400,000	(900,000)	2,500,000
	1 November 2006	3	1,200,000	—	1,200,000
			4,600,000	(900,000)	3,700,000
Options granted to independent non-executive directors	16 January 2008	2.91	200,000	—	200,000
Options granted to employees	27 January 2005	3	6,200,000	—	6,200,000
	1 November 2006	3	200,000	—	200,000
			6,400,000	—	6,400,000
Total			11,200,000	(900,000)	10,300,000

15 Other reserves

	Unaudited						
	Share premium (Note i) HK$'000	Merger reserve (Note ii) HK$'000	Employee share-based compensation reserve HK$'000	Reserve fund (Note iii) HK$'000	Enterprise expansion reserve (Note iii) HK$'000	Exchange reserve HK$'000	Total HK$'000
As at 1 January 2010	587,428	74,519	5,515	132,881	94,417	239,699	1,134,459
Transfer	—	—	—	17	16	—	33
Dividends	(38,595)	—	—	—	—	—	(38,595)
Currency translation differences	—	—	—	—	—	17,536	17,536
As at 30 June 2010	548,833	74,519	5,515	132,898	94,433	257,235	1,113,433
As at 1 January 2011	518,137	74,519	4,289	156,037	94,434	299,401	1,146,817
Transfers	—	—	(345)	—	—	—	(345)
Dividends	(34,950)	—	—	—	—	—	(34,950)
Currency translation differences	—	—	—	—	—	41,844	41,844
As at 30 June 2011	483,187	74,519	3,944	156,037	94,434	341,245	1,153,366

Notes:

(i) 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.

(ii) 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 Reorganisation.

(iii) Reserve fund and enterprise expansion 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 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 Restricted cash

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Restricted cash related to letters of credit (Note)	—	14,336

Note: As at 30 June 2011, a deposit amounted to Rmb Nil (2010: Rmb 12 million) has been pledged to a bank for obtaining letters of credit and is treated as restricted cash.

17 Trade payables

The aging analysis of the trade payables is as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Below 30 days	**253,313**	189,822
30 to 90 days	**35,285**	47,959
91 to 180 days	**6,220**	3,913
Over 180 days	**12,021**	35
	306,839	241,729

18 Operating lease commitments

At 30 June 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Transformation station		
— Not later than one year	**2,567**	2,494
— Later than one year but not later than five years	**2,781**	3,949
	5,348	6,443
Office premises		
— Not later than one year	**2,251**	2,251
— Later than one year but not later than five years	**2,439**	3,565
	4,690	5,816

19 Capital commitments

At 30 June 2011, the Group had capital expenditure commitments related to purchase of plant and equipment:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Authorised but not contracted for	**20,925**	23,443
Contracted but not provided for	**71**	263
	20,996	23,706

20 Related party transactions

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

	Unaudited Six months ended 30 June	
	2011 HK$'000	2010 HK$'000
Purchase of unprocessed wine from an associate	**5,124**	21,508
Key management compensation:		
— Salaries and other short-term employee benefits	**4,505**	3,376
— Other long-term benefits	**271**	258
	4,776	3,634

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Balance of advance for unprocessed wine due to an associate (Note)	**93**	9,163

Note: The advance for purchase of unprocessed wine was trade in nature, non-interest bearing and had no fixed repayment terms, the balance is included in other receivables, deposits and prepayments.

PRODUCT PORTFOLIO
產品系列

RED WINE 紅葡萄酒

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

Dynasty Merlot Series — Gold Label
王朝梅鹿輒系列 — 金標

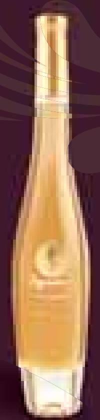
Dynasty Merlot Series — Red Label
王朝梅鹿輒系列 — 紅標

Dynasty Dry Red Wine
王朝乾紅葡萄酒

WHITE WINE 白葡萄酒

Dynasty Chardonnay Dry White Wine
王朝霞多麗乾白葡萄酒

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



ICEWINE 冰酒

Dynasty 5-star Icewine Reserve
王朝五星級窖藏冰葡萄酒

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

Dynasty Muscat Sparkling Wine
王朝玫瑰香起泡葡萄酒

BRANDY 白蘭地

Dynasty Fine Brandy — X.O
王朝X.O白蘭地

Dynasty Fine Brandy — V.S.O.P.
王朝V.S.O.P.白蘭地

SELECTION 精選產品
(available in Hong Kong only) （於香港發售）

Dynasty Cabernet Sauvignon Reserve 2008
王朝2008年珍藏赤霞珠

Dynasty Cabernet Sauvignon 2008
王朝2008年赤霞珠

Dynasty Chardonnay Reserve 2008
王朝2008年珍藏霞多麗

Dynasty Chardonnay 2009
王朝2009年霞多麗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