Dynasty Fine Wines Group Limited

王 朝 酒 業 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 828

2014 INTERIM REPORT

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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 thirteen of the seventeen years between 1997 and 2013, 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, ice wine and brandy.

Over the years, Dynasty has sustained a good financial performance and generated reasonable 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 – Tsinlien Group Company Limited and Remy Cointreau, Dynasty keeps on providing all consumer strata high quality and "excellent value for money" wines. With enhanced facilities and continual marketing efforts, Dynasty is well positioned to capture the robust growth potential of the Chinese wine market. We will rebuild a stronger Dynasty for the future of all our stakeholders.

Financial Highlights

	For the six months ended 30 June (unaudited)		
	2014	2013	Changes
	HK$'000	*HK$'000*	
Revenue	**361,962**	479,391	-24%
Gross Profit	**1,635**	189,461	-99%
Loss attributable to owners of the Company	**(137,741)**	(74,136)	86%

	2014	2013	Changes in percentage point
Gross profit margin	**1%**	40%	-39%

Corporate Information

(As at the publication date of the report)

BOARD OF DIRECTORS

Executive Directors

Mr. SUN Jun(^)
Mr. LI Guanghe
Mr. SUN Yongjian(&)

Non-Executive Directors

Mr. HERIARD-DUBREUIL Francois
Ms. SHI Jing
Mr. Jean-Marie LABORDE
Mr. WONG Ching Chung(&)
Mr. ROBERT Luc

Independent Non-Executive Directors

Dr. ZHANG Guowang(#)(&)(^)
Mr. YEUNG Ting Lap Derek Emory(#)(&)(^)
Mr. SUN David Lee(#)(&)(^)

Audit committee members
& Remuneration committee members
^ Nomination committee members

COMPANY SECRETARY

Mr. HO Yiu Sum

AUTHORISED REPRESENTATIVES

Mr. SUN Yongjian
Mr. HO Yiu Sum

LEGAL ADVISERS

Hong Kong

K&L Gates

Cayman

Conyers Dill & Pearman, Cayman

The People's Republic of China

Tianjin Shuze Lawyer

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

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

Tianjin Office

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

(As at the publication date of the report)

PRINCIPAL BANKERS

China Construction Bank
Industrial and Commercial Bank of China
China Minsheng Bank
China Citic Bank

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

COMPANY WEBSITE

http://www.dynasty-wines.com

ONLINE SALES WEBSITE

https://dynasty.jd.com
(王朝葡萄酒旗艦店－京東)(P.R.C.)
https://dynasty.world.tmall.com
(王朝葡萄酒旗艦店－天貓)(P.R.C.)
http://www.dynasty-wines.com/shop (H.K.)

SHARE INFORMATION

Listing date	26 January 2005
Stock short name	Dynasty Wines
Nominal value	HK$0.1
Number of issued shares	As at 30 June 2014 1,248,200,000 shares
Board lot	2,000 shares

STOCK CODE

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

FINANCIAL YEAR-END DATE

31 December

Management Discussion and Analysis

INTERIM RESULTS

The Group's revenue for the six months ended 30 June 2014 decreased by 24.5% to HK$362.0 million (2013 – HK$479.4 million) and the Group's loss attributable to owners of the Company declined to HK$137.7 million (2013 – HK$74.1 million).

Loss per Share for the six months ended 30 June 2014 was HK11.0 cents per Share (2013 – HK5.9 cents per Share) based on the weighted average number of 1,248 million Shares (2013 – 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the period ended 30 June 2014.

The decline in gross margin and financial results in the first half year of 2014 was attributable to i) the decrease in revenue; ii) the decrease in gross profit margin; and iii) provision for impairment in inventories as a result of part of the self-produced finished goods were unsuitable for sales in the future and were considered as obsolete during the period under review.

FINANCIAL REVIEW

Income Statement

Revenue

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2014, total revenue decreased by 24.5% to approximately HK$362.0 million from approximately HK$479.4 million for the corresponding period in 2013. The decrease in revenue was mainly attributable to i) a decrease in sales volume compared to last corresponding period as a result of (1) government policy of restrictions on entertainment and hospitality; and (2) weaker demand of domestic wine products amid the slower economic growth in the PRC and impact of imported wines; ii) a decrease in average selling price compared to last period because of shift of sales mix further to low-to-medium end products in response to the market demand.

The Group's average ex-winery sales price of red and white wine products during the period was lower than the average price of HK$29.4 per bottle (750ml) for the whole year of 2013, as a result of continuous shifting the sales mix to low-to-medium end products in response to the market change. Since consumers in the PRC have a preference for red wines, the Group was able to set higher prices for its red wine products and therefore the average ex-winery sales price of the Group's red wines was generally higher than that of its white wines.

Cost of sales

The following table sets forth the major components of cost of sales (before provision for impairment in inventories) for the period under review:

	For the six months ended 30 June	
	2014	2013
	%	%
Cost of raw materials		
– Grapes and grape juice	**41**	42
– Yeast and additives	**2**	2
– Packaging materials	**18**	23
– Others	**1**	1
Total cost of raw materials	**62**	68
Manufacturing overheads	**26**	22
Consumption tax and other taxes	**12**	10
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. During the period under review, the cost of grapes and grape juice was the key component of cost of sales and accounted for approximately 41% of the Group's total cost of sales, representing a minor decrease of 1% from approximately 42% compared with the same period last year, due to the drop in purchase of grapes and grape juice. The total cost of packaging materials to the Group's revenue was relatively stable during the period under review as compared with corresponding period in 2013.

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 2013 mainly due to rising labour costs, depreciation and other overheads absorbed as a result of less utilization of production capacity.

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 1% for the six months ended 30 June 2014 (17% before provision for inventories included in cost of sales) from 40% for the corresponding period in 2013, mainly as a result of the impact of provision for impairment in inventories which were unsuitable for sales in the future and slow moving and obsolete finished goods being assessed.

Distribution expenses

Distribution expenses 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. For the six months ended 30 June 2014, distribution expenses remained stable and accounted for approximately 33% (2013 – 33%) of the Group's revenue. During the period under review, the Group continued to promote and market the Chateau Dynasty, brand and products effectively through a range of joint promotions with wedding planner companies and local distributors, print and outdoor advertisements, wine dinners, wine tasting events, digital communication, event sponsorships and exhibitions. The Group will ensure that its promotional strategy is responsive to market dynamics and competition.

Administrative expenses

Administrative expenses comprise salaries and related personnel expenses for administrative, finance and human resources departments, depreciation and amortisation expenses, provision for impairment and other incidental administrative expenses.

During the period under review, administrative expenses as a percentage of the Group's revenue accounted for 10% (2013 – 20%). The decrease in administrative expenses included decrease in consultancy and professional fee, employee benefit expenses and other incidental expenses.

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 is 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. The decrease in income tax expense was because there were no adjustments in respect of prior years during the period under review.

FINANCIAL MANAGEMENT AND TREASURY POLICY

As at 30 June 2014 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 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 were placed on short-term deposits (denominated in US dollars or Hong Kong dollars) with authorised financial institutions. The Company also paid dividends in Hong Kong dollars when dividends were declared. The Company did not implement any hedging or other derivatives against foreign exchange risk. Although the Group's operations currently would not generate any significant foreign currency exposure, we will continue to closely monitor foreign currency movements and adopt prudent measures as appropriate.

Armed with sufficient financial resources and in a net cash position net of borrowings at fixed rates, the Group was exposed to minimal financial risk from interest rate fluctuation.

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

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial position of the Group remain intact as the Group continues to adopt a prudent approach in managing its financial resources. As at 30 June 2014, the Group's cash and cash equivalents, and short-term deposits amounted to HK$163.7 million (31 December 2013 – HK$196.9 million). It has sufficient financial resources and an adequate cash position for satisfying the working capital requirements of business development, operations and capital expenditures. New investment opportunities, if any, will be funded by the Group's internal resources.

The Group had net debt of HK$546.1 million (31 December 2013 – HK$340.0 million) (total borrowings, trade and other payables less cash and cash equivalents), with total equity of the Group amounting to approximately HK$978.1 million (31 December 2013 – HK$1,129.2 million) as at 30 June 2014 ensuring solvency and the Group's ability to continue as a going concern. The Group's gearing ratio, expressed as a ratio of total debt to total capital (net debt and total equity), as at 30 June 2014 was 36% (31 December 2013 – 23%).

CAPITAL STRUCTURE

The Group had short-term borrowings of HK$108.8 million (31 December 2013 – HK$89.1 million), with cash and liquid position as of HK$163.7 million (31 December 2013 – HK$107.8 million) as at 30 June 2014, reflecting its sound capital structure. The Group expect its cash with bank facilities to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

The periods of the bank borrowings are from 29 August 2013 to 25 August 2014 and 17 September 2013 to 16 September 2014 respectively (31 December 2013: 29 August 2013 to 25 August 2014 and 17 September 2013 to 16 September 2014). The annual fixed interest rate are 6.15% and 5% respectively (31 December 2013: 6.15% and 5%).

As at 30 June 2014, the market capitalisation of the Company was approximately HK$1,797 million (31 December 2013 – HK$1,797 million). Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 March 2013 and will remain suspended until further notice.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 30 June 2014, there was no (31 December 2013 – Nil) capital expenditure contracted for at the end of the period but not yet incurred. The Group had no material contingent liabilities. Included in borrowings were bank borrowings of approximately HK$25 million (31 December 2013 – HK$63.6 million), which were secured by the land and buildings of a subsidiary of approximately HK$222 million (31 December 2013 – HK$251.7 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2014, the Group did not make any material acquisitions or disposal of subsidiaries and associated companies.

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. As at 30 June 2014, the net proceeds had been fully utilised and applied to the following uses, which is consistent with the planned usage as follows:

	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	20
Acquisition of Smiling East	47	47
Other acquisition opportunities and general working capital	297	297
Total	724	724

EVENT AFTER THE REPORTING PERIOD

The Group planned to dispose of a chateau and related facilities held by one of its subsidiaries at a consideration of RMB400 million. For details, please refer to Company's announcement dated 27 June 2017.

BUSINESS REVIEW

Sales analysis

A) Distributorship

For the six months ended 30 June 2014, despite the decrease in the average ex-factory sales price of the Group's wine products as a result of shifting the sales mix further to low-to-medium end products in response to the market change during the period under review, the sales revenue and volume has still recorded a decrease compared with the last corresponding period mainly because of (1) government policy of restrictions on entertainment and hospitality; and (2) weaker demand of domestic wine products amid the slower economic growth in the PRC and impact of imported wines. The Group continued to optimize its sales and distribution model by a reform intended to improve the operational efficiency of the Group. Reform measures include, among other things, (i) co-operating with distributors to strengthen the control on inventory level and 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 the Group's direct control over the sales channels, thereby enhancing efficiency and effectiveness.

Sales of red wines continued to be the Group's primary revenue contributor, accounting for approximately 82% of the Group's revenue for the year (2013 – 80%).

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 devoted significant resources to continue and accelerate the expansion and to strengthen its 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.

The Group produces a wide range of more than 100 wine products under the "Dynasty" brand to meet the demands and preferences of different consumer groups, mainly in the medium to high end segment 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 were greeted enthusiastically during the period under review. Moreover, the Group also sold foreign brand wines mainly imported from France, Italy, Germany, the United States of America, Chile and Spain in the PRC wine market through the Group's existing distribution network to introduce some classic "old world" and "new world" varietals to cater for a market niche preferring the taste of foreign premium wines. The Group currently carries more than 520 imported products under approximately 100 brands. The Group believe that with the trend of increasing wealth and the disposable income of consumers, the demand for Dynasty and imported wines should increase. To boost its market share and sustain its growth, the Group is determined to continue to actively promote and raise the visibility of these wines to the market.

Management Discussion and Analysis

B) Retail shops

To cater for different needs and preferences of the customers, the Group as at 30 June 2014 had 1 self-operated retail shop in Tianjin, 1 self-operated retail shop in Shanghai and 128 franchised retail shops across various provinces and cities in the PRC, selling a variety of Dynasty wines and imported wines to customers directly. The sales contribution from the retail shops was relatively insignificant to the Group's revenue during the period under review. However, the Group strongly believe that through these sales channels and its network the Group can attract more people to embrace the grape wine culture and lead the trend of rising wine consumption. At the same time we could also expand its sales presence, extend its market influence and bring greater awareness to the brand because retail shops are amongst the best vehicles to communicate our brand image and message, and to enhance customers' experience of buying and drinking wines. The Group have strategically planned to develop its franchised retail shops through and disciplined growth strategy to develop the number of similar establishments in appropriate locations. During the period under review, 128 franchised retail shops were in operation by the end of the period.

The following table sets out the number of self-operated retail shops and franchised retail shops by regions as at 30 June 2014:

Region	Number of self-operated retail shops	Number of franchised retail shops	Total
South-Central region	–	79	79
Eastern region	1	25	26
North-West region	–	1	1
North-East region	–	4	4
Northern region	1	19	20
Total	2	128	130

C) *Online sales*

The Group has launched an e-commerce business by setting up a convenient online platform – www.i9wang.com (王朝愛酒網) to further expand its sales channels and develop a new customer base. Customers could place orders via the internet on this website for Dynasty wines and the imported wines the Group carry anywhere and at any time. It has been running smoothly and recording a steady income. Although the online sales contribution was insignificant during the period under review, the Group are optimistic about the prospects of the business as research indicates online trading business in the PRC 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. Thus, the platform should enhance the overall business potential of the Group because growth in online sales channels will be further exploited internationally following successful e-commerce model overseas.

Supplies of grapes or grape juice

Production of quality wines greatly depends on a sufficient supply of quality grapes or grape juice. Currently, the Group have more than 10 major grape juice suppliers with whom it has enjoyed long-term relationships, mainly located in Tianjin, Shandong, Hebei, Ningxia and Xinjiang. Ensuring reliable supplies of quality grapes and grape juices to meet the production needs of its growing business as well as its expanded production capacity is a high priority of the Group. Thus, it 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 technology for assuring quality. For super and ultra premium wines, vignerons have adopted a disciplined approach to limiting harvest yields in order to deliver higher quality grape. For optimistic supply networks, the Group has also kept identifying new suppliers who comply with our quality requirements and conducts thorough tests on their grape juices before orders are placed. These procedures ensure the Group procure quality grape and grape juice supplies and also minimise the effect of bad harvests interrupting production. The Group has imported grape juices from overseas, applying the same stringent quality requirements as it has on suppliers in the PRC.

Production capacity

In 2014, the Group has production and research and development facilities in its Tianjin winery with annual production capacity to 70,000 tonnes (equivalent to approximately 93.3 million bottles). The current capacity has enabled the Group to promptly response to market demand and further enhance the overall cost effectiveness in terms of unit cost in the long run and has provided a better platform for sustainable earnings growth after the reform.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

Quality and dedicated staff are the most important assets of the Group. The Group strives to ensure a strong team spirit among our employees so that they identify and contribute in unison to our corporate objectives. To this end, the Group offer competitive remuneration packages commensurate with market practices and industry levels, and provide various fringe benefits including training, medical and insurance coverage as well as retirement benefits to all employees in Hong Kong and the PRC. The Group is committed to staff training and development to support the need of the business and individuals, so employees are encouraged to enrol in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group has reviewed and adjusted its human resources and remuneration policies, especially the performance-based bonus award, with reference to local legislation, market conditions, industry practice and achievements of the Group's targets as well as the performance of individual employee.

The Group employed a work force of 639 (2013 – 663) (including directors) in Hong Kong and the PRC as at 30 June 2014. The decrease in manpower has occurred mainly due to the internal human resources adjustment in response to the business development. The total salaries and related costs (including the directors' fees) for the period ended 30 June 2014 amounted to approximately HK$73.8 million (2013 – HK$114.8 million).

The Company also adopted a share option scheme on 6 December 2004 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations and the long-term growth of the Group. As at 30 June 2014, share options to subscribe for 5,000,000 Shares were granted and outstanding under the scheme.

OUTLOOK

The Group's outlook for China's economy for the second half of 2014 remains cautious optimistic. Going forward, although the Group's performance is likely to undergo prevailing pressure, we will continue to improve our organizational structure and enhance our professionalism in our business management. Leveraging on the experience in the wine industry, the Group will endeavor to capture opportunities arising from the Chinese government's efforts to stimulate economic activities to provide support for the country's economic growth in order to reach out to a wider group of potential customers.

INTERIM DIVIDEND

The directors of the Company did not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 30 June 2014.

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in the published annual report of the Company for the year ended 31 December 2013. Share options are granted to Directors and employees of the Group to provide incentives and/or rewards 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 Share Option Scheme during the period and outstanding as at 30 June 2014 are as follows:

	Outstanding options held at 1 January 2014 *(Note 1)*	Granted/ Exercised	Reclassification *(Note 2)*	Lapsed/ Cancelled	Outstanding options held at 31 December 2014 *(Note 1)*
Executive Directors:					
Mr. Yin Jitai (appointed on 6 June 2014)	–	–	800,000	–	800,000
Mr. Bai Zhisheng (resigned on 29 January 2014)	2,300,000	–	–	(2,300,000)	–
Non-executive Directors:					
Mr. Heriard-Dubreuil Francois	1,200,000	–	–	–	1,200,000
Mr. Wong Ching Chung	200,000	–	–	–	200,000
Other employees	6,400,000	–	(800,000)	(2,800,000)	2,800,000
Total	10,100,000	–	–	(5,100,000)	5,000,000

Notes:

1) These 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. Share option to subscribe for 1,200,000 Shares was 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. The share options granted to Mr. Bai Zhisheng were lapsed subsequent to his resignation.

2) Mr. Yin Jitai were appointed as executive director of the company on 6 June 2014, before that Mr. Yin Jitai, as a employee, had 800,000 outstanding share options.

Management Discussion and Analysis

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

As at 30 June 2014, the interests and short positions of the Directors, chief executives 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 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) Interests 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. Yin Jitai	–	800,000	800,000	0.06%
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%

Save as disclosed above, as at 30 June 2014, none of the Directors, chief executive had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(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.

Save as disclosed in this report, at no time during the six months ended 30 June 2014 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 2014, the interests or short positions of any persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

(i) Long position in Shares of the Company

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Famous Ever Group Limited *(Note 1/2)*	Beneficial owner	558,000,000	44.70%
Tsinlien Group Company Limited *(Note 1/2)*	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical") *(Note 2)*	Interest of a controlled corporation	558,000,000	44.70%
Remy Pacifique Limited *(Note 3)*	Beneficial owner	336,528,000	26.96%
Remy Concord Limited *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau Services S.A.S. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Remy Cointreau S.A. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Orpar S.A. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%
Andromede S.A. *(Note 3)*	Interest of a controlled corporation	336,528,000	26.96%

Notes:

(1) On 5 May 2014, Tianjin Development Holdings Limited ("Tianjin Development"), the controlling shareholder of the Company, entered into a sale and purchase agreement with Tsinlien Group Company Limited ("Tsinlien"), the controlling shareholder of Tianjin Development, for disposal of the entire issued share capital of Famous Ever Group Limited ("Famous Ever"), to Tsinlien (the "Disposal"). The sole asset of significance of Famous Ever is the holding of 558,000,000 ordinary shares of the Company, representing approximately 44.7% equity interest. The Disposal was completed on 25 June 2014.

(2) Famous Ever Group Limited is a direct wholly-owned subsidiary of Tsinlien. Tsinlien is also a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings, Bohai and Tianjin Pharmaceutical, Tsinlien are deemed to be interested in the same parcel of shares of the Company in which Famous Ever Group Limited is interested.

(3) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 35% 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 15% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A. is entitled to exercise or control the exercise of all 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.

Apart from the aforesaid, as at 30 June 2014, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors' securities transactions (the "Mode Code"). The Company has made specific enquiry with all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the six months period ended 30 June 2014.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period under review, save as disclosed below, none of the directors was aware of any information that would reasonably indicate that the Company was not in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules (the "Code") for the period ended 30 June 2014. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

Following the resignation of Mr. Bai Zhisheng on 29 January 2014, Mr. Hao Feifei, general manager and executive director of the Company, has been appointed by the Board as the chairman of the Board and as the chairman of the nomination committee of the Company. There was a deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer (general manager) have not been separated, from 29 January 2014 to 6 June 2014. Prior to 6 June 2014, Mr. Hao Feifei held the roles of both chairman and general manager of the Company. The Board considered that Mr. Hao Feifei, possessing solid experience in corporate management, was suitably qualified to lead the Company and oversee the business development and take up the function of formulating and managing the investment strategies. His service in both roles was beneficial to the stable development of the Company. However, in order to enhance the level of corporate governance, Mr. Hao Feifei ceased to be the general manager of the Company, and Mr. Yin Jitai, was appointed as the general manager of the Company with effect from 6 June 2014. Subsequent to the management change, the Company has complied with such code provision of the Code.

During the period from 1 January 2014 to the date of this report, the number of independent non-executive directors of the Company fell below one-third of the Board. The Company intended to look for suitable candidate of independent non-executive director who is familiar with the fast moving consumer goods industry, and who has extensive experience in wine business. However, the Company has yet identified such suitable candidate. As such, the number of independent non-executive directors of the Company could not represent at least one-third the Board required under Rule 3.10A of the Listing Rules.

As at 30 June 2014, as a result of internal investigation not yet finalised, additional time is required by the Company for the completion of the audit for the consolidated financial statements for the years ended 31 December 2012 and 2013 and to finalise the outstanding results announcements and reports, the Group has breached the financial reporting provisions under (i) Rules 13.49(1)/13.49(6) and (ii) 13.26(2)/13.48(1) of the Listing Rules in respect of (i) announcing the annual/interim results for the years ended 31 December 2012 and 2013; and for the six-month period ended 30 June 2013; (ii) publishing the related annual/interim reports for the years ended 31 December 2012 and 2013 and for the six-month period ended 30 June 2013; and (iii) convening an annual general meeting for the financial years ended 31 December 2012 and 2013.

Management Discussion and Analysis

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs. The audit committee has reviewed the Group's interim financial statements for the six months ended 30 June 2014.

INTERNAL INVESTIGATION

As disclosed in the announcement of the Company dated 26 March 2013, the Company has been informed by its auditor, that they had received anonymous allegations against certain transactions of the Group (the "Allegations"). The Board has authorised the Audit Committee to undergo an investigation of such Allegations. Upon being notified of the Allegations and authorised by the Board, the Audit Committee has forthwith engaged its legal advisers and Ernst & Young Advisory Services Ltd. ("EY") to conduct an internal investigation to verify the truthfulness of the Allegations.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors subsequent to the year ended 31 December 2013 of the Company are set out as follows:

On 16 September 2014, Ms. Shi Jing was appointed as Executive Director of Tianjin Port Development Holdings Limited (Stock code: 3382). On 29 September 2014, Ms. Shi Jing was appointed as Non-Executive Director of Binhai Investment Company Limited (Stock code: 2886).

By order of the Board
Dynasty Fine Wines Group Limited
Mr. Sun Jun
Chairman

Hong Kong, 8 June 2018

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Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014 HK$'000	2013 HK$'000
Revenue	5	**361,962**	479,391
Cost of sales		**(360,327)**	(289,930)
Gross profit		**1,635**	189,461
Other income, gains and losses – net		**14,369**	(1,088)
Distribution expenses		**(119,067)**	(157,572)
Administrative expenses		**(34,978)**	(95,266)
Operating loss	6	**(138,041)**	(64,465)
Finance income		**3,991**	2,212
Finance costs		**(6,541)**	(2,107)
Finance (costs)/income – net		**(2,550)**	105
Loss before income tax		**(140,591)**	(64,360)
Income tax expense	7	**(49)**	(10,741)
Loss for the period		**(140,640)**	(75,101)
Attributable to:			
Owners of the Company		**(137,741)**	(74,136)
Non-controlling interests		**(2,899)**	(965)
		(140,640)	(75,101)
Loss per share attributable to owners of the Company for the period *(expressed in HK cents per share)*			
– Basic and diluted loss per share	9	**(11.0)**	(5.9)

The Notes on pages 27 to 42 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period	**(140,640)**	(75,101)
Other comprehensive (loss)/income		
Currency translation differences	**(10,437)**	24,754
Total comprehensive loss for the period	**(151,077)**	(50,347)
Attributable to:		
Owners of the Company	**(148,233)**	(50,410)
Non-controlling interests	**(2,844)**	63
	(151,077)	(50,347)

The Notes on pages 27 to 42 are an integral part of these condensed financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	Unaudited As at 30 June 2014 HK$'000	Audited As at 31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**494,672**	523,883
Leasehold land and land use rights		**62,662**	64,053
Goodwill		**–**	–
Investment in an associate	11	**–**	–
Deferred income tax assets		**–**	–
Trade and other receivables		**–**	1,569
		557,334	589,505
Current assets			
Trade receivables	12	**233,488**	192,545
Other receivables, deposits and prepayments		**76,121**	99,405
Inventories		**680,947**	834,483
Prepaid income tax		**10,801**	11,973
Short-term deposits with maturity over three months		**–**	8,855
Restricted cash		**28,474**	10,225
Cash and cash equivalents		**163,734**	196,935
		1,193,565	1,354,421
Total assets		**1,750,899**	1,943,926
EQUITY			
Equity attributable to the owners of the Company:			
Share capital	13	**124,820**	124,820
Other reserves	14	**1,192,307**	1,204,752
Accumulated losses		**(358,458)**	(222,670)
		958,669	1,106,902
Non-controlling interests		**19,427**	22,271
Total equity		**978,096**	1,129,173
LIABILITIES			
Current liabilities			
Trade payables	15	**239,645**	262,366
Other payables and accruals		**400,531**	436,823
Borrowings		**108,794**	89,059
Current income tax liabilities		**23,833**	26,505
Total liabilities		**772,803**	814,753
Total equity and liabilities		**1,750,899**	1,943,926

The Notes on pages 27 to 42 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings/ (accumulated loss) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2013		124,820	1,166,066	329,789	1,620,675	22,683	1,643,358
Comprehensive loss							
Loss for the period		–	–	(74,136)	(74,136)	(965)	(75,101)
Other comprehensive income							
Currency translation differences	*14*	–	23,726	–	23,726	1,028	24,754
Total comprehensive loss		–	23,726	(74,136)	(50,410)	63	(50,347)
Balance at 30 June 2013		124,820	1,189,792	255,653	1,570,265	22,746	1,593,011
Balance at 1 January 2014		**124,820**	**1,204,752**	**(222,670)**	**1,106,902**	**22,271**	**1,129,173**
Comprehensive loss							
Loss for the period		**–**	**–**	**(137,741)**	**(137,741)**	**(2,899)**	**(140,640)**
Other comprehensive loss							
Currency translation differences	*14*	**–**	**(10,492)**	**–**	**(10,492)**	**55**	**(10,437)**
Total comprehensive loss		**–**	**(10,492)**	**(137,741)**	**(148,233)**	**(2,844)**	**(151,077)**
Transactions with owners in their capacity as owners							
Share expired under share options scheme	*14*	**–**	**(1,953)**	**1,953**	**–**	**–**	**–**
Balance at 30 June 2014		**124,820**	**1,192,307**	**(358,458)**	**958,669**	**19,427**	**978,096**

The Notes on pages 27 to 42 are an integral part of these condensed financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Net cash generated from/(used in):		
– operating activities	**(39,926)**	(73,067)
– investing activities	**(8,707)**	(7,893)
– financing activities	**19,735**	(39,455)
Net decrease in cash and cash equivalents	**(28,898)**	(120,415)
Cash and cash equivalents at 1 January	**196,935**	293,946
Changes in exchange rate	**(4,303)**	14,361
Cash and cash equivalents at 30 June	**163,734**	187,892
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	**163,734**	187,892

The Notes on pages 27 to 42 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. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, whilst the principal office is Room E and F, 16/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The principal activity of the Company is investment holding and trading of wine products.

The shares of the Company were listed on the Main Board of the Stock Exchange ("Stock Exchange") on 26 January 2005. On 22 March 2013, trading of the shares of the Company were suspended on the Stock Exchange.

The condensed consolidated interim financial information has been approved for issue by the Board of Directors on 8 June 2018.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

These unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with HKFRSs.

The accounting treatments, accounting policies and methods 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 2013. The Company's auditor issued disclaimer of opinion on the annual financial statements for the year ended 31 December 2013 in its report dated 8 December 2017.

The preparation of these condensed consolidated interim financial information has also taken into account of all relevant information of the consolidated financial statements for the year ended 31 December 2014. The accounting treatments and methods of computation used in the preparation are consistent with those used in the annual financial statements for the year ended 31 December 2014.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policy and disclosures *(continued)*

(b) New Hong Kong Companies Ordinance

In addition, the requirements of "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these condensed consolidated interim financial statements. None of these is expected to have a significant effect on the condensed consolidated interim financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policy and disclosures *(continued)*

(c) New standards and interpretations not yet adopted (continued)

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of HKFRS 16.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in any risk management policies.

3.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

3.3 Other risk factors and fair value estimation

All other 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 2013.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5 SEGMENT INFORMATION

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

The chief operating decision maker considers the business from product perspective. Management separately considers the red wines and white wines. All other segments primarily relate to the sale of sparkling wines, brandy and icewine.

The key management team assesses the performance of the operating segments based on gross profit. 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 2014				
Revenue	**298,429**	**62,089**	**1,444**	**361,962**
Gross profit	**79**	**1,473**	**83**	**1,635**
Unallocated items:				
Depreciation and amortisation				**(23,639)**
Six months ended 30 June 2013				
Revenue	385,170	91,029	3,192	479,391
Gross profit	163,552	24,589	1,320	189,461
Unallocated items:				
Depreciation and amortisation				(28,502)

5 SEGMENT INFORMATION *(continued)*

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

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Gross profit for reportable segments	**1,635**	189,461
Other income, gains and losses – net	**14,369**	(1,088)
Distribution expenses	**(119,067)**	(157,572)
Administrative expenses	**(34,978)**	(95,266)
Operating loss	**(138,041)**	(64,465)
Finance (costs)/income – net	**(2,550)**	105
Loss before income tax	**(140,591)**	(64,360)

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

The Group's customer base is diversified and no (2013: Nil) external customers with whom transactions have exceeded 10% of the Group's revenues. The majority of sales are within PRC.

6 OPERATING LOSS

Operating loss is stated after charging:

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Employee costs comprising:		
– salaries, other allowance and benefits	**66,068**	106,867
– contributions to retirement benefits scheme	**7,768**	7,957
Total employee costs including directors' emoluments	**73,836**	114,824
Depreciation and amortisation	**23,639**	28,502
Loss on disposal of property, plant and equipment	**143**	22
Provision for impairment in inventories included in cost of sales	**58,319**	–

7 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current income tax:		
– PRC income tax for the period	**49**	10,741
Deferred income tax:		
– Reversal of temporary difference	**–**	–
Income tax expenses	**49**	10,741

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% (2013: 25%).

8 DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2014 (2013: Nil).

9 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of HK$137,741,000 (2013: loss of HK$74,136,000) and the weighted average number of 1,248,200,000 shares in issue during the six months to 30 June 2014 (2013: 1,248,200,000 shares).

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

Trading of the Company's shares were suspended in the stock exchange since 22 March 2013, since then the fair value of ordinary shares did not exceed exercise price of the share option, thus it did not have any dilutive effect. (2013: no dilutive effect).

10 CAPITAL EXPENDITURE

During the six months ended 30 June 2014, the Group acquired plant and equipment amounting to approximately HK$0.5 million (2013: HK$7.9 million).

Notes to the Condensed Financial Information

11 INVESTMENT IN AN ASSOCIATE

Set out below is the associate of the Group as at 30 June 2014. The associate as listed below has share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in an associate as at 30 June 2014 and 31 December 2013:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Dynasty Yuma Vineyard (Ning Xia) Co. Ltd. ("Yuma")	PRC/PRC	25	Associate	Equity pick up

As at 30 June 2014, the Group held a 25% (2013: 25%) equity interest of Yuma, an unlisted company established and operating in the PRC as manufacturer and distributor of unprocessed wines with a paid up capital of RMB40 million.

There are no contingent liabilities relating to the Group's interest in the associate. The carrying amount of the investment has been reduced to zero since 2012.

12 TRADE RECEIVABLES

The Group grants a credit period of 90 to 180 days to its customers. The aging analysis of the trade receivables is as follows:

	Unaudited As at 30 June 2014 *HK$'000*	Audited As at 31 December 2013 *HK$'000*
Up to 3 months	**113,094**	65,932
3 to 6 months	**72,307**	17,885
6 months to 1 year	**22,053**	63,644
1 year to 2 years	**27,668**	28,909
Over 2 years	**5,817**	4,730
	240,939	181,100
Less: Provision for impairment	**(11,848)**	(10,874)
	229,091	170,226
Notes receivables	**4,397**	22,319
Trade receivables, net	**233,488**	192,545

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi. The fair value of trade receivables approximates their carrying values.

13 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares *(thousands)*	Share capital *HK$'000*
As at 31 December 2013 and 30 June 2014	1,248,200	124,820

Share option 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.

13 SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

Particulars and movements of the options are as follows:

Date of grant	Exercisable date	Expiry date	Exercise price *HK$*	Outstanding as at 1 January 2014	Option expired	Reclassification	Outstanding as at 30 Jun 2014
Options granted to directors, other than the independent non-executive directors							
27 January 2005	17 August 2005	26 January 2015	3	2,500,000	(1,100,000)	800,000	2,200,000
1 November 2006	22 May 2007	31 October 2016	3	1,200,000	(1,200,000)	–	–
				3,700,000	(2,300,000)	800,000	2,200,000
Options granted to employees							
27 January 2005	17 August 2005	26 January 2015	3	6,200,000	(2,800,000)	(800,000)	2,600,000
1 November 2006	22 May 2007	31 October 2016	3	200,000	–	–	200,000
				6,400,000	(2,800,000)	(800,000)	2,800,000
Total				10,100,000	(5,100,000)	–	5,000,000

Notes to the Condensed Financial Information

14 OTHER RESERVES

	Unaudited						
	Share premium *HK$'000* *(Note i)*	Merger reserve *HK$'000* *(Note ii)*	Employee share-based compensation reserve *HK$'000*	Reserve fund *HK$'000* *(Note iii)*	Enterprise expansion reserve *HK$'000* *(Note iii)*	Exchange reserve *HK$'000*	Total *HK$'000*
As at 1 January 2013	464,464	74,519	3,866	158,928	94,434	369,855	1,166,066
Currency translation differences	–	–	–	–	–	23,726	23,726
As at 30 June 2013	464,464	74,519	3,866	158,928	94,434	393,581	1,189,792
As at 1 January 2014	**464,464**	**74,519**	**3,866**	**158,928**	**94,434**	**408,541**	**1,204,752**
Expiry of share options	**–**	**–**	**(1,953)**	**–**	**–**	**–**	**(1,953)**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(10,492)**	**(10,492)**
As at 30 June 2014	**464,464**	**74,519**	**1,913**	**158,928**	**94,434**	**398,049**	**1,192,307**

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 Group reorganisation in preparation for listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(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. For the six months ended 30 June 2014, there was no net profit for appropriation.

15 TRADE PAYABLES

The aging analysis of the trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2014 HK$'000	Audited As at 31 December 2013 HK$'000
0 – 30 days	**42,689**	56,227
31 – 90 days	**36,971**	76,587
Over 90 days	**159,985**	129,552
	239,645	262,366

16 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	
	2014 HK$'000	2013 HK$'000
(a) Key management compensation:		
Key management includes directors (executive and non-executive), the Company Secretary and senior management. The compensation paid or payable to key management for employee services is shown below:		
– Salaries and other short-term employee benefits	**4,085**	4,143
– Other long-term benefits	**487**	436
Total	**4,572**	4,579
(b) Purchases of goods:		
– Subsidiary of Tsinlien Group Company Limited ("Tsinlien"), the ultimate holding company	**602**	556
Goods are bought on normal commercial terms and conditions		

16 RELATED PARTY TRANSACTIONS *(continued)*

(c) Period-end/year-end balances arising from purchases of goods

	Unaudited As at 30 June 2014	Audited As at 31 December 2013
	HK$'000	*HK$'000*
Payables to related parties		
– Subsidiary of Tsinlien	**1,899**	2,315

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.