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

2016 INTERIM REPORT

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 nineteen years between 1997 and 2015, 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		
	2016	2015	Changes
	HK$'000	*HK$'000*	
Revenue	**238,761**	315,864	-24%
Gross Profit	**65,171**	76,693	-15%
Loss attributable to owners of the Company	**(73,917)**	(32,984)	1.2 times

	2016	2015	Changes in percentage point
Gross profit margin	**27%**	24%	3%

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 2016 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 2016 decreased by 24% to HK$238.8 million (2015 – HK$315.9 million) and the Group's loss attributable to owners of the Company increased to HK$73.9 million (2015 – HK$33.0 million).

Loss per Share for the six months ended 30 June 2016 as HK5.9 cents per Share (2015 – HK2.6 cents per Share) based on the weighted average number of 1,248 million Shares (2015 – 1,248 million Shares) in issue during the period under review. There was no potential dilutive share for the period ended 30 June 2016.

The increase in loss attributable to owners of the Company in the first half of 2016 was mainly attributable to increase in distribution expenses, but offset by decrease in depreciation of property, plant and equipment after impairment and staff costs.

FINANCIAL REVIEW

Income Statement

Revenue

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2016, total revenue decreased by 24% to approximately HK$238.8 million from approximately HK$315.9 million for the corresponding period in 2015. The decrease in revenue was mainly attributable to (1) more cautious consuming sentiments amid the impact of economic slowdown in the PRC; (2) unsatisfactory sales performance in the nationwide supermarket channel which is one of main off-trade channels of the Group and (3) impact of imported wines especially low to medium end imported wines which grab the market shares of domestic wines.

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$23.7 per bottle (750ml) for the whole year of 2015, as a result of shifting the sales mix to low-to-medium end products. 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 impact of provision for impairment in inventories) for the period under review:

	For the six months ended 30 June	
	2016	2015
	%	%
Cost of raw materials		
– Grapes and grape juice	**43**	42
– Yeast and additives	**2**	2
– Packaging materials	**19**	19
– Others	**1**	1
Total cost of raw materials	**65**	64
Manufacturing overheads	**21**	20
Consumption tax and other taxes	**14**	16
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 43% of the Group's total cost of sales, representing a mild increase of 1% from approximately 42% compared with the same period last year, due to the increase in purchase of grapes and grape juice. The total cost of packaging materials to the Group's revenue was stable during the period under review as compared with the corresponding period in 2015.

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 remained stable as compared with the corresponding period in 2015.

Management Discussion and Analysis

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. The overall gross profit margin increased to 27% for the six months ended 30 June 2016 from 24% for the corresponding period in 2015, mainly as a result of the decrease in impact of the provision made for impairment in inventories.

During the period under review, the gross margin of red wine products and white wine products were 29% and 22% respectively (2015 – 26% and 16% respectively).

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. During the period under review, distribution expenses accounted for approximately 39% (2015 – 17%) of the Group's revenue. The increase in the percentage was primarily due to continuous increase in investment in brand building, re-adjustment of sales and marketing channels in response to the market change and sustainable development of the Company. During the period, 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 our 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 19% (2015 – 20%). This percentage remains stable during the period under review.

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 income tax credit was because of annual tax filing difference during the period.

FINANCIAL MANAGEMENT AND TREASURY POLICY

As at 30 June 2016, the Group's revenues, expenses, assets and liabilities were substantially denominated in RMB. The funding from the operation and borrowings was 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 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 2016, the Group's cash and cash equivalents, and short-term deposits amounted to HK$83.6 million (31 December 2015 – HK$80.9 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$525.6 million (31 December 2015 – HK$437.1 million) (total borrowings, trade and other payables less cash and cash equivalents), with total equity of the Group amounting to approximately HK$443.1 million (31 December 2015 – HK$488.3 million) as at 30 June 2016 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 2016 was 54% (2015 – 47%).

CAPITAL STRUCTURE

The Group had borrowings of HK$99.4 million (31 December 2015 – HK$66.5 million), with cash and liquid position of HK$83.6 million (31 December 2015 – HK$14.4 million) as at 30 June 2016, reflecting its intact 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 16 July 2015 to 30 May 2017 (31 December 2015: 28 April 2015 to 27 April 2016). The annual fixed interest rate is 5.35% and 7% respectively (31 December 2015: 7%).

As at 30 June 2016, the market capitalisation of the Company was approximately HK$1,797 million (2015 – 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 2016, there was no (31 December 2015 – Nil) capital expenditure contracted for at the end of the year but not yet incurred. The Group had no material contingent liabilities. Included in borrowings were bank borrowings of approximately HK$82 million (31 December 2015 – HK$47.7 million), which were secured by the land and buildings of a subsidiary of approximately HK$184 million (31 December 2015 – HK$217.8 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2016, the Group did not make any material acquisitions or disposal of subsidiaries and associated companies.

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 2016, the decrease in revenue is attributable to unsatisfactory sales performance in the nationwide supermarket channel which is one of main off-trade channels of the Group. The Group continued implementing a reform on its sales and distribution model 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 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 accounted for approximately 77% of the Group's revenue for the period (2015 – 78%).

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 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. 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 about 350 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.

B) Retail shops

To cater for different needs and preferences of the customers, the Group as at 30 June 2016 had 135 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 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 the Group 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 a disciplined growth strategy to develop the number of similar establishments in appropriate locations. During the period under review, 135 franchised retail shops were in operation by the end of the period.

The following table sets out the number of franchised retail shops by regions as at 30 June 2016:

Region	Number of franchised retail shops
South-Central region	80
Eastern region	26
North-West region	1
North-East region	4
Northern region	24
Total	135

C) Online sales

The Group launched an e-commerce business by joining online platform, Tmall (天 貓 商 城) to further expand its sales channels and develop a new customer base. Customers can place orders via the internet on these websites for Dynasty wines or the imported wines the Group carry anywhere at any time. It has been running smoothly and recording a steady income. Although the online sales contribution was insignificant during the period, 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 it 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 techniques for assuring quality. For super and ultra premium wines, vignerons have adopted a disciplined approach to limiting harvest yields in order to deliver higher quality grape. For optimising 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 2016, 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 term of unit cost in the long run and has provided a better platform for sustainable earnings growth after the reform.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are the most important assets of the Group. The Group strives to ensure a strong team spirit among our employees so that they identify and contribute in unison to our corporate objectives. To this end, we 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 591 (2015 – 611) (including directors) in Hong Kong and the PRC as at 30 June 2016. 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 2016 amounted to approximately HK$65.5 million (2015 – HK$75.9 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 2016, share options to subscribe for 200,000 shares were granted and outstanding under the scheme.

PROSPECTS AND FUTURE PLANS

Looking ahead to the second half of 2016, the Group expects to continue to face various challenges, in addition to increasing competition amidst fast-changing economic conditions. Nonetheless, the Group will continue to develop proactively its sales and distributors network especially in regions where it has low market presence and areas of high potential for growth, which will provide a solid foundation for sustainable development in the future.

INTERIM DIVIDEND

The directors of the Company did not recommend the payment of any interim dividend to shareholders of the Company for the period ended 30 June 2016.

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 2015. 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. The scheme was expired on 6 December 2014.

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 2016, none of the Directors, chief executive and their respective associates 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.

Save as disclosed in this report, at no time during the year ended 30 June 2016 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 2016, 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:

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)*	Beneficial owner	558,000,000	44.70%
Tsinlien Group Company Limited ("Tsinlien") *(Note 1)*	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 1)*	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai") *(Note 1)*	Interest of a controlled corporation	558,000,000	44.70%
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings") *(Note 1)*	Interest of a controlled corporation	558,000,000	44.70%
Remy Pacifique Limited *(Note 2)*	Beneficial owner	336,528,000	26.96%
Remy Concord Limited *(Note 2)*	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 2)*	Interest of a controlled corporation	336,528,000	26.96%
Orpar S.A. *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%
Andromede S.A. *(Note 2)*	Interest of a controlled corporation	336,528,000	26.96%

Notes:

(1) 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.

(2) 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 37% 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 2016, 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 2016.

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 2016. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

During the period from 1 January 2016 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 2016, 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, 2013, 2014 and 2015 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, 2013, 2014 and 2015 and for the six-month period ended 30 June 2013, 2014 and 2015; (ii) publishing the related annual/interim reports for the years ended 31 December 2012, 2013, 2014 and 2015 and for the six-month periods ended 30 June 2013, 2014 and 2015; and (iii) convening an annual general meeting for the financial years ended 31 December 2012, 2013, 2014 and 2015.

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 2016.

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.

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

Hong Kong, 8 June 2018

Financial Section

Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June 2016 HK$'000	 2015 HK$'000
Revenue	5	**238,761**	315,864
Cost of sales		**(173,590)**	(239,171)
Gross profit		**65,171**	76,693
Other income, gains and losses – net		**727**	2,068
Distribution expenses		**(92,975)**	(52,693)
Administrative expenses		**(44,927)**	(61,999)
Operating loss	6	**(72,004)**	(35,931)
Finance income		**1,942**	2,327
Finance costs		**(4,318)**	(479)
Finance (costs)/income – net		**(2,376)**	1,848
Loss before income tax		**(74,380)**	(34,083)
Income tax credit	7	**329**	–
Loss for the period		**(74,051)**	(34,083)
Attributable to:			
Owners of the Company		**(73,917)**	(32,984)
Non-controlling interests		**(134)**	(1,099)
Loss per share attributable to owners of the Company for the period *(expressed in HK cents per share)*		**(74,051)**	(34,083)
– Basic and diluted loss per share	9	**(5.9)**	(2.6)

The Notes on pages 24 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Loss for the period	**(74,051)**	(34,083)
Other comprehensive income		
Currency translation differences	**28,882**	1,168
Total comprehensive loss for the period	**(45,169)**	(32,915)
Attributable to:		
Owners of the Company	**(43,028)**	(29,327)
Non-controlling interests	**(2,141)**	(3,588)
	(45,169)	(32,915)

The Notes on pages 24 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited As at 30 June 2016 HK$'000	Audited As at 31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**298,320**	317,788
Leasehold land and land use rights		**55,257**	57,119
Goodwill		**–**	–
Investment in an associate	11	**–**	–
Deferred income tax assets		**–**	–
		353,577	374,907
Current assets			
Trade receivables	12	**66,280**	97,579
Other receivables, deposits and prepayments		**82,201**	59,985
Inventories		**528,561**	587,647
Prepaid income tax		**30,036**	–
Restricted cash		**11,843**	34,051
Cash and cash equivalents		**83,562**	80,891
		802,483	860,153
Total assets		**1,156,060**	1,235,060
EQUITY			
Equity attributable to the owners of the Company:			
Share capital	13	**124,820**	124,820
Other reserves	14	**1,195,388**	1,164,499
Accumulated losses		**(891,871)**	(817,954)
		428,337	471,365
Non-controlling interests		**14,802**	16,943
Total equity		**443,139**	488,308
LIABILITIES			
Current liabilities			
Trade payables	15	**198,520**	326,104
Other payables and accruals		**414,986**	354,121
Borrowings		**99,415**	66,527
Total liabilities		**712,921**	746,752
Total equity and liabilities		**1,156,060**	1,235,060

The Notes on pages 24 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015		124,820	1,199,229	(614,240)	709,809	19,512	729,321
Comprehensive loss							
Loss for the period		–	–	(32,984)	(32,984)	(1,099)	(34,083)
Other comprehensive income							
Currency translation differences	*14*	–	3,657	–	3,657	(2,489)	1,168
Total comprehensive loss		–	3,657	(32,984)	(29,327)	(3,588)	(32,915)
Transactions with owners in their capacity as owners							
Share expired under share options scheme	*14*	–	(1,837)	1,837	–	–	–
Balance at 30 June 2015		124,820	1,201,049	(645,387)	680,482	15,924	696,406
Balance at 1 January 2016		**124,820**	**1,164,499**	**(817,954)**	**471,365**	**16,943**	**488,308**
Comprehensive loss							
Loss for the period		**–**	**–**	**(73,917)**	**(73,917)**	**(134)**	**(74,051)**
Other comprehensive income							
Currency translation differences	*14*	**–**	**30,889**	**–**	**30,889**	**(2,007)**	**28,882**
Total comprehensive loss		**–**	**30,889**	**(73,917)**	**(43,028)**	**(2,141)**	**(45,169)**
Balance at 30 June 2016		**124,820**	**1,195,388**	**(891,871)**	**428,337**	**14,802**	**443,139**

The Notes on pages 24 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Net cash generated from/(used in):		
– operating activities	**(85,381)**	(5,565)
– investing activities	**22,048**	(22,563)
– financing activities	**32,888**	2,050
Net decrease in cash and cash equivalents	**(30,445)**	(26,078)
Cash and cash equivalents at 1 January	**80,891**	134,445
Changes in exchange rate	**33,116**	5,790
Cash and cash equivalents at 30 June	**83,562**	114,157
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	**83,562**	114,157

The Notes on pages 24 to 38 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 2016 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 2015, 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 2015. The Company's auditor issued a qualified opinion on the annual financial statements for the year ended 31 December 2015 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 2016. 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 2016.

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 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11
- Clarification of acceptable methods of depreciation and amortization – Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012-2014 cycle, and
- Disclosure initiative – Amendments to HKAS 1

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely of affect future periods.

(b) 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 2016, 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'

Nature of change

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Notes to the Condensed Financial Information

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

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

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

HKFRS 9, 'Financial instruments' (continued)

Impact

The Group classifies its financial assets as loans and receivables and does not expect the new guidance to attach the classification and measurement of these financial assets.

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 new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. Its applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

Based on the assessments undertaken to date, the Group does not expect any significant increase or decrease in the loss allowance in relation to loans and receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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

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

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

HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect any significant impact on the Group's financial statements.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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

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

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

HKFRS 16, 'leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments which relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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 condensed consolidated interim 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 2015.

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 2015.

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 2015.

Notes to the Condensed Financial Information

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 2016				
Revenue	**184,765**	**53,499**	**497**	**238,761**
Gross profit	**53,709**	**11,602**	**(140)**	**65,171**
Unallocated items:				
Depreciation and amortisation				**(16,506)**
Six months ended 30 June 2015				
Revenue	245,849	69,649	366	315,864
Gross profit	65,071	11,240	382	76,693
Unallocated items:				
Depreciation and amortisation				(21,013)

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	
	2016 **HK$'000**	2015 HK$'000
Gross profit for reportable segments	**65,171**	76,693
Other income, gains and losses – net	**727**	2,068
Distribution expenses	**(92,975)**	(52,693)
Administrative expenses	**(44,927)**	(61,999)
Operating loss	**(72,004)**	(35,931)
Finance (costs)/income – net	**(2,376)**	1,848
Loss before income tax	**(74,380)**	(34,083)

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 (2015: Nil) external customers with whom transactions have exceeded 10% of the Group's revenues. The majority of sales are within People's Republic of China (the "PRC").

6 OPERATING LOSS

Operating loss is stated after charging:

	Unaudited Six months ended 30 June	
	2016 **HK$'000**	2015 HK$'000
Employee costs comprising:		
– salaries, other allowance and benefits	**59,440**	68,511
– contributions to retirement benefits scheme	**6,105**	7,372
Total employee costs including directors' emoluments	**65,545**	75,883
Depreciation and amortisation	**16,506**	21,013
Loss on disposal of property, plant and equipment	**10**	404
(Reversal of)/provision for impairment of inventories included in cost of sales	**(18,008)**	19,943

7 INCOME TAX CREDIT

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Current income tax:		
– Current income tax on profits for the period	**–**	–
– Annual tax filing difference	**(329)**	–
	(329)	–
Deferred income tax:		
– Reversal of temporary difference	**–**	–
Income tax credit	**(329)**	–

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% (2015: 25%).

8 DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2016 (2015: 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$73,917,000 (2015: loss of HK$32,984,000) and the weighted average number of 1,248,200,000 shares in issue during the six months to 30 June 2016 (2015: 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. (2015: no dilutive effect).

10 CAPITAL EXPENDITURE

During the six months ended 30 June 2016, the Group acquired plant and equipment amounting to approximately HK$0.2 million (2015: HK$0.3 million).

11 INVESTMENT IN AN ASSOCIATE

Set out below is the associate of the Group as at 30 June 2016. 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 2016 and 31 December 2015:

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 2016, the Group held a 25% (2015: 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 2016 ***HK$'000***	Audited As at 31 December 2015 *HK$'000*
Up to 3 months	**23,734**	54,430
3 to 6 months	**21,476**	15,105
6 months to 1 year	**21,354**	13,828
1 year to 2 years	**3,512**	6,740
Over 2 years	**6,413**	14,590
	76,489	104,693
Less: Provision for impairment	**(15,063)**	(14,520)
	61,426	90,173
Notes receivables	**4,854**	7,406
Trade receivables, net	**66,280**	97,579

The carrying amounts of the Group's trade receivables were principally denominated in RMB. 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 2015 and 30 June 2016	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.

Particulars and movements of the options are as follows:

Date of grant	Exercisable date	Expiry date	Exercise price HK$	Outstanding as at 1 January 2016 and 30 June 2016
Options granted to employees				
1 November 2006	22 May 2007	31 October 2016	3	200,000

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 2015	464,464	74,519	1,913	158,928	94,434	404,971	1,199,229
Expiry of share options	–	–	(1,837)	–	–	–	(1,837)
Currency translation differences	–	–	–	–	–	3,657	3,657
As at 30 June 2015	464,464	74,519	76	158,928	94,434	408,628	1,201,049
As at 1 January 2016	**464,464**	**74,519**	**76**	**158,928**	**94,434**	**372,078**	**1,164,499**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**30,889**	**30,889**
As at 30 June 2016	**464,464**	**74,519**	**76**	**158,928**	**94,434**	**402,967**	**1,195,388**

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 2016, 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 30 June 2016 *HK$'000*	Audited 31 December 2015 *HK$'000*
0 – 30 days	**92,196**	97,755
31 – 90 days	**15,280**	26,733
Over 90 days	**91,044**	201,616
	198,520	326,104

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	
	2016 *HK$'000*	2015 *HK$'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	**4,421**	4,789
– Other long-term benefits	**347**	371
Total	**4,768**	5,160
(b) Purchases of goods:		
– Subsidiary of Tsinlien Group Company Limited ("Tsinlien"), the ultimate holding company	**1,447**	349
Goods are bought on normal commercial terms and conditions		

Notes to the Condensed Financial Information

16 RELATED PARTY TRANSACTIONS *(continued)*

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

	Unaudited As at 30 June 2016	Audited As at 31 December 2015
	HK$'000	*HK$'000*
Payables to related parties		
– Subsidiary of Tsinlien	**985**	549

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