DYNASTY
Since 1980

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

2017
INTERIM REPORT

Contents

Corporate Profile

Dynasty is a premier winemaker with a long historical 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 twenty years between 1997 and 2016, 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

	Unaudited For the six months ended 30 June		
	2017	2016	Changes
	HK$'000	*HK$'000*	
Revenue	**235,740**	238,761	-1%
Gross Profit	**81,326**	65,171	25%
Loss attributable to owners of the Company	**(26,701)**	(73,917)	-64%

	2017	2016	Changes in percentage point
Gross profit margin	**34%**	27%	7%

Corporate Information

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

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

COMPANY WEBSITE

http://www.dynasty-wines.com

ONLINE SALES WEBSITE

https://www.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 2017 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 2017 slightly decreased by 1.3% to HK$236 million (2016 – HK$239 million) and the Group's loss attributable to owners of the Company decreased to HK$26.7 million (2016 – HK$73.9 million).

Loss per Share for the six months ended 30 June 2017 as HK$2.1 cents per Share (2016 – HK$5.9 cents per Share) based on the weighted average number of 1,248 million Shares (2016 – 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the period ended 30 June 2017.

The decrease in loss attributable to owners of the Company in the first half of 2017 was primarily due to increase in sales volume and improvement in gross margin compared with the same period previous year as a result of an improvement in operating condition, as well as a decrease in distribution costs due to the cost saving following the effective implementation of cost control policy during the period.

FINANCIAL REVIEW

Income Statement

Revenue

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2017, total revenue slightly decreased by 1.3% to approximately HK$236 million from approximately HK$239 million for the corresponding period in 2016.

The Group's average ex-winery sales price of red and white wine products during the period was higher than the average price of HK$21.8 per bottle (750ml) for the whole year of 2016. 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	
	2017	2016
	%	%
Cost of raw materials		
– Grapes and grape juice	**45**	43
– Yeast and additives	**2**	2
– Packaging materials	**21**	19
– Others	**1**	1
Total cost of raw materials	**69**	65
Manufacturing overheads	**22**	21
Consumption tax and other taxes	**9**	14
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 45% of the Group's total cost of sales, representing an increase of 2% from approximately 43% compared with the same period last year, due to the increase in purchase of grapes and grape juice.

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 cost of sales remained stable as compared with the corresponding period in 2016.

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 34% for the six months ended 30 June 2017 from 27% for the corresponding period in 2016, mainly as a result of an improvement in operating condition.

During the period under review, the gross margin of red wine products and white wine products were 37% and 31% respectively (2016 – 29% and 22% respectively).

Distribution costs

Distribution costs principally include advertising and market promotion expenses, transportation and delivery charges in connection with the sales of grape wine products, salaries and related personnel expenses of the sales and marketing functions and other incidental expenses. During the period under review, distribution costs accounted for approximately 23% (2016 – 39%) of the Group's revenue. The decrease in distribution costs is due to the cost saving following the effective implementation of cost control policy during the period under review. During the period under review, the Group continued to promote and market its 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 22% (2016 – 19%). 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 established in the PRC had been unified at 25% effective from 1 January 2008. The change to income tax expense was because there was no annual tax filing adjustments in respect of prior years during the period.

FINANCIAL MANAGEMENT AND TREASURY POLICY

As at 30 June 2017, 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 RMB 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, the Group 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 2017, the Group's cash and cash equivalents, and short-term deposits amounted to HK$74.4 million (31 December 2016 – HK$90.7 million). It has sufficient financial support and 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$59.5 million (31 December 2016 – HK$26.6 million) (total borrowings less cash and cash equivalents), with total equity of the Group amounted to approximately HK$349.1 million (31 December 2016 – HK$361.2 million) as at 30 June 2017 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 2017 was 15% (31 December 2016 – 7%).

CAPITAL STRUCTURE

The Group had borrowing of HK$133.9 million (31 December 2016 – HK$117.3 million), with cash and liquid position of HK$74.4 million (31 December 2016 – HK$90.7 million) as at 30 June 2017, reflecting its intact capital structure. The Group expects its cash with proceeds from the sale of chateau and the continuing financial support from the ultimate shareholder of its major shareholder to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

Included in borrowings were mainly entrusted bank borrowings of approximately HK$103.7 million (31 December 2016 – HK$100.6 million) as advance to the Group by Tianjin Food Group through banks. Such bank borrowings were secured by the land and buildings of the subsidiary of HK$190.6 million (31 December 2016 – HK$191.6 million). The period of the loan was from 15 January 2016 to 12 July 2017. The annual fixed interest rate was 5.35% (31 December 2016 – 5.35%).

Management Discussion and Analysis

As at 30 June 2017, the market capitalisation of the Company was approximately HK$1,797 million (31 December 2016 – 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 2017, there was no capital expenditure contracted for at the end of the period but not yet incurred.

The Group had contingent liabilities in terms of:

In June 2018, an arbitration was lodged by a supplier against one of the Group's subsidiaries for its non-performance under a raw materials purchasing agreement as signed in November 2015. The matter is currently being considered by the Tianjin Arbitration Commission. The external lawyer as appointed by the Group and the Group's internal legal department consider it to be probable that the judgement will be in favour of the Group and has therefore not recognised a provision in relation to this case. The potential compensation that the Group could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately RMB30 million.

In March 2019, a lawsuit was lodged by a supplier against one of the Group's subsidiaries for its non-performance under a raw wine purchasing supplementary agreement as signed in May 2015. The matter is currently being considered by the Tianjin Beichen District People's Court. The external lawyer as appointed by the Group and the Group's internal legal department consider it has partial possibility that the judgement will be in favour of the Group and has therefore not recognised a provision in relation to this case. The potential compensation that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately RMB0.7 million.

Included in borrowings were entrusted bank borrowings of approximately HK$103.7 million (31 December 2016 – HK$100.6 million), which were secured by the land and buildings of the subsidiary of HK$190.6 million (31 December 2016 – HK$191.6 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the period ended 30 June 2017, the Group did not make any material acquisitions or disposal of subsidiaries, associates or joint ventures.

EVENT AFTER THE REPORTING PERIOD

As at the date of this report, RMB100 million of all borrowings have been repaid on the maturity date. After the period end, entrusted bank borrowings of RMB110 million and RMB130 million granted by the Tianjin Food Group through China CITIC Bank and China Merchants Bank respectively, have been lent to the Group for a period of 1 year, bearing interest rate of 4.35% to 5.35% per annum. As the date of this report, all of the aforesaid borrowings of RMB240 million have been repaid.

In February 2017, the Directors of the Company indicated its intention to dispose a chateau and related facilities held by a subsidiary, Sino-French Joint-Venture Dynasty Winery Ltd. (referred to as the "Tianjin factory"). On 27 June 2017, the Board announced that Tianjin factory would dispose of a chateau and related facilities through a public auction on Tianjin Property Rights Transaction Centre ("TPRTC") in the PRC pursuant to the relevant PRC laws and regulations in relation to transfer of PRC state-owned assets. The reserve price for the proposed sale and transfer of a chateau and related facilities was RMB400 million.

On 24 October 2017, Tianjin Yiyang Big Health Small Township Development Co., Ltd., an independent third party, (the "purchaser"), registered with TPRTC regarding the purchase of the chateau and related facilities. Accordingly, the land use right and buildings in relation to this chateau were classified as assets held for sale as at 31 December 2017.

On 23 July 2018, the Tianjin factory formally entered into an Asset Transaction Agreement with the purchaser to dispose the land use right and buildings in relation to the chateau at consideration of RMB400 million (the "Disposal"). The Disposal was approved by the shareholders of the Company at the extraordinary general meeting on 5 December 2018. On 16 May 2019, the Tianjin factory received the consideration of RMB400 million from the purchaser through TPRTC. As of the date of this report, the Disposal has not yet completed pending for certain administrative registration procedures.

BUSINESS REVIEW

Sales analysis

A) Distributorship

For the six months ended 30 June 2017, the Group continued implementing a reform on its sales and distribution model intending 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) enhancement in 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 64% of the Group's revenue for the period under review (2016 – 77%).

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 branded wines mainly imported from France, Italy, Germany, the United States of America, New Zealand, Australia, 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 200 imported products under approximately 80 brands. The Group believes 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 2017 had 120 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 believed that through these sales channels and its network 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, bring greater awareness to the brand because retail shops are amongst the best vehicles to communicate its brand image and message, and to enhance customers' experience of buying and drinking wines. The Group had strategically planned to develop its franchised retail shops through a disciplined growth strategy to develop the number of similar establishments in appropriate locations. The Group closed its smaller and less efficient retail shops. During the period under review, 120 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 2017:

Region	**Number of franchised retail shops**
South-Central region	65
Eastern region	26
North-West region	1
North-East region	4
Northern region	24
Total	120

C) *Online sales*

The Group has operated its online stores on the online platforms, Tmall (天貓商城) and JD.com (京東商城) 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 carries anywhere at any time. Although the online sales contribution was insignificant during the period, the Group is optimistic about the prospects of the business as research indicates that 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 has 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, the Group continues to actively work with vignerons to enlarge their existing vineyards in order to enjoy better economies of scale and equip their vineyards with state-of-the-art techniques for assuring quality. 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 its 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 2017, the Group has production and research and development facilities in its Tianjin winery with its annual production capacity of 70,000 tonnes (equivalent to approximately 93.3 million bottles).

After completion of the Disposal, the Group's annual production capacity is expected to decrease from 70,000 tonnes to 50,000 tonnes. Such expected capacity is sufficient for the Group to promptly response to the market demand and provide a platform for sustainable earnings growth.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are the most important assets of the Group. The Group strive to ensure a strong team spirit among its employees so that they identify and contribute in unison to its corporate objectives. To this end, the Group offers competitive remuneration packages commensurate with market practices and industry levels, and provides 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 enroll 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 473 (including directors) (2016 – 426) in Hong Kong and the PRC as at 30 June 2017. The change 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 2017 amounted to approximately HK$58.2 million (2016 – HK$65.5 million).

Management Discussion and Analysis

PROSPECTS AND FUTURE PLANS

Looking ahead to the second half of 2017, 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 did not recommend the payment of any interim dividend to the shareholders of the Company for the period ended 30 June 2017.

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 2017, none of the Directors, chief executive of the Company 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 Companies.

Save as disclosed in this report, at no time during the period ended 30 June 2017 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 2017, 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 are as follows:

(i) Long position in Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Famous Ever Group Limited *(Note 1)*	Beneficial owner	558,000,000	44.70%
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 2)*	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 38% 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 100% of the voting power at general meetings of Orpar S.A.. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A. is deemed to be interested in the Shares held by Remy Pacifique Limited.

Apart from the aforesaid, as at 30 June 2017, 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 by the Company 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 to the Listing Rules as the code for Directors' securities transactions (the "Model Code"). The Company has made specific enquiry of 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 ended 30 June 2017.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to the 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 to the Listing Rules (the “Code”) for the period ended 30 June 2017. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

During the period ended 30 June 2017 and up to the date of this report, the number of independent non-executive Directors 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 could not represent at least one-third the Board required under Rule 3.10A of the Listing Rules.

At 30 June 2017, as additional time is required by the Group to follow up certain issues which might have impact on annual results of the Group for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 and to provide additional information and documents requested by auditors to perform additional procedures to complete its work, the Group has breached the financial reporting provisions under (i) Rule 13.49(1)/13.49(6) and (ii) 13.46(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, 2015 and 2016 and for the six-month periods ended 30 June 2013, 2014, 2015 and 2016; (ii) publishing the related annual/interim reports for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 and for the six-month periods ended 30 June 2013, 2014, 2015 and 2016; and (iii) convening an annual general meeting for the financial years ended 31 December 2012, 2013, 2014, 2015 and 2016.

On 8 December 2017, the Company announced the annual results for the years ended 31 December 2012, 2013, 2014 and 2015. On 15 February 2018, the Company announced the annual results for the year ended 31 December 2016. On 8 June 2018, the Company announced the interim results for the six-month periods ended 30 June 2013, 2014, 2015 and 2016.

Management Discussion and Analysis

AUDIT COMMITTEE

As at 30 June 2017, the audit committee comprises 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 2017.

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

Hong Kong, 22 July 2019

Financial Section

Condensed Consolidated Income Statement

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**235,740**	238,761
Cost of sales		**(154,414)**	(173,590)
Gross profit		**81,326**	65,171
Other income, gains and losses – net		**479**	727
Distribution costs		**(54,467)**	(92,975)
Administrative expenses		**(52,097)**	(44,927)
Operating loss	*6*	**(24,759)**	(72,004)
Finance income		**232**	1,942
Finance costs		**(2,938)**	(4,318)
Finance costs – net		**(2,706)**	(2,376)
Loss before income tax		**(27,465)**	(74,380)
Income tax (expense)/credit	*7*	**(26)**	329
Loss for the period		**(27,491)**	(74,051)
Attributable to:			
Owners of the Company		**(26,701)**	(73,917)
Non-controlling interests		**(790)**	(134)
Loss per share attributable to owners of the Company for the period *(expressed in HK cents per share)*		**(27,491)**	(74,051)
– Basic and diluted loss per share	*9*	**(2.1)**	(5.9)

The Notes on pages 25 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Loss for the period	**(27,491)**	(74,051)
Other comprehensive income		
Currency translation differences	**15,325**	28,882
Total comprehensive loss for the period	**(12,166)**	(45,169)
Attributable to:		
Owners of the Company	**(11,921)**	(43,028)
Non-controlling interests	**(245)**	(2,141)
	(12,166)	(45,169)

The Notes on pages 25 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2017

	Note	Unaudited As at 30 June 2017 HK$'000	Audited As at 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**269,045**	272,170
Leasehold land and land use rights		**52,856**	52,095
Goodwill		**–**	–
Investment in an associate	11	**–**	–
Deferred income tax assets		**–**	–
		321,901	324,265
Current assets			
Trade and notes receivables	12	**86,933**	51,311
Other receivables, deposits and prepayments		**21,842**	39,138
Inventories		**437,471**	504,367
Restricted cash		**591**	733
Cash and cash equivalents		**74,443**	90,675
		621,280	686,224
Total assets		**943,181**	1,010,489
EQUITY			
Equity attributable to the owners of the Company:			
Share capital	13	**124,820**	124,820
Other reserves	14	**1,154,133**	1,139,353
Accumulated losses		**(945,211)**	(918,510)
		333,742	345,663
Non-controlling interests		**15,323**	15,568
Total equity		**349,065**	361,231
LIABILITIES			
Current liabilities			
Trade payables	15	**136,094**	210,424
Other payables and accruals		**324,093**	321,499
Borrowings		**133,929**	117,318
Current income tax liabilities		**–**	17
Total liabilities		**594,116**	649,258
Total equity and liabilities		**943,181**	1,010,489

The Notes on pages 25 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 2017

		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 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
Balance at 1 January 2017		**124,820**	**1,139,353**	**(918,510)**	**345,663**	**15,568**	**361,231**
Comprehensive loss							
Loss for the period		**-**	**-**	**(26,701)**	**(26,701)**	**(790)**	**(27,491)**
Other comprehensive income							
Currency translation differences	*14*	**-**	**14,780**	**-**	**14,780**	**545**	**15,325**
Total comprehensive loss		**-**	**14,780**	**(26,701)**	**(11,921)**	**(245)**	**(12,166)**
Balance at 30 June 2017		**124,820**	**1,154,133**	**(945,211)**	**333,742**	**15,323**	**349,065**

The Notes on pages 25 to 38 are an integral part of these condensed financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Net cash generated from/(used in):		
– operating activities	**(14,708)**	(85,381)
– investing activities	**(533)**	22,048
– financing activities	**1,922**	32,888
Net decrease in cash and cash equivalents	**(13,319)**	(30,445)
Cash and cash equivalents at 1 January	**90,675**	80,891
Changes in exchange rate	**(2,913)**	33,116
Cash and cash equivalents at 30 June	**74,443**	83,562
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	**74,443**	83,562

The Notes on pages 25 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 Rooms 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 activities of the Company are investment holding and trading of wine products. The principal activities of the subsidiaries are manufacturing and sale of wine products and unprocessed wine.

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

The condensed consolidated interim financial information has been approved for issue by the Board of Directors on 22 July 2019.

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 2017 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 2016, 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 interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2016. The Company's auditor issued a qualified opinion on the annual financial statements for the year ended 31 December 2016 in its report dated 15 February 2018.

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 2017. 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 2017.

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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

– Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12, and

– Disclosure initiative – Amendments to HKAS 7

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclose of changes in liabilities arising from financing activities.

(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 2017, 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.

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 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 that related 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.

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 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 2016.

There have been no changes in any risk management policies.

3.2 Liquidity risk

Compared to the year ended 31 December 2016, 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 2016.

4 ESTIMATES

The preparation of interim financial statements requires the management of the Company 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 the management of the Company 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 2016.

5 SEGMENT INFORMATION

In accordance with the Group's internal reporting, the chief operating decision-maker considers the business from product perspective and has determined the operating segments to be red wines, white wines and all other products primarily related to the sale of sparkling wines, brandy and icewine. The executive directors assesses the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

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$'000*	Total *HK$'000*
Six months ended 30 June 2017				
Revenue	**150,668**	**84,372**	**700**	**235,740**
Gross profit	**55,042**	**25,832**	**452**	**81,326**
Unallocated items:				
Depreciation and amortisation				**(17,612)**
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)

Notes to the Condensed Financial Information

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	
	2017	2016
	HK$'000	*HK$'000*
Gross profit for reportable segments	**81,326**	65,171
Other income, gains and losses – net	**479**	727
Distribution costs	**(54,467)**	(92,975)
Administrative expenses	**(52,097)**	(44,927)
Operating loss	**(24,759)**	(72,004)
Finance costs – net	**(2,706)**	(2,376)
Loss before income tax	**(27,465)**	(74,380)

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 (2016: Nil) external customers with whom transactions have exceeded 10% of the Group's revenues. The majority of sales are within the People's Republic of China (the "PRC").

6 OPERATING LOSS

Operating loss is stated after charging:

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Employee costs comprising:		
– salaries, other allowance and benefits	**53,976**	59,440
– contributions to retirement benefits scheme	**4,248**	6,105
Total employee costs including directors' emoluments	**58,224**	65,545
Depreciation and amortisation	**17,612**	16,506
Loss on disposal of property, plant and equipment	**10**	10
Reversal of impairment in inventories included in cost of sales	**(10,818)**	(18,008)

7 INCOME TAX EXPENSE/(CREDIT)

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current income tax:		
– Current income tax on profits for the period	**26**	–
– Annual tax filing difference	**–**	(329)
	26	(329)
Deferred income tax:		
– Total deferred income tax	**–**	–
Income tax expense/(credit)	**26**	(329)

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

Provision for the 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% (2016: 25%).

Notes to the Condensed Financial Information

8 DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2017 (2016: 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$26,701,000 (2016: loss of HK$73,917,000) and the weighted average number of 1,248,200,000 Shares in issue during the six months ended 30 June 2017 (2016: 1,248,200,000 Shares).

As the Group has no dilutive instruments during the six months ended 30 June 2017 and all of the outstanding share options as issued by the Company were lapsed on 31 October 2016 without any dilutive effect, the Group's diluted earnings per Share equal to its basic earnings per Share for the six months ended 30 June 2017 and 2016.

10 CAPITAL EXPENDITURE

During the six months ended 30 June 2017, the Group acquired plant and equipment amounting to approximately HK$0.7 million (2016: HK$0.2 million).

11 INVESTMENT IN AN ASSOCIATE

Set out below is the associate of the Group as at 30 June 2017. 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 2017 and 31 December 2016

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 2017, the Group held a 25% (2016: 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 AND NOTES RECEIVABLES

The Group grants a credit period of 90 to 180 days (2016: 90 to 180 days) to its customers. The ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Up to 3 months	**40,577**	23,621
3 to 6 months	**9,526**	8,433
6 months to 1 year	**12,153**	7,914
1 year to 2 years	**4,818**	7,333
Over 2 years	**9,038**	8,296
	76,112	55,597
Less: impairment allowance	**(18,230)**	(16,991)
	57,882	38,606
Notes receivables	**29,051**	12,705
Trade and notes receivables, net	**86,933**	51,311

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi ("RMB"). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

13 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares *(thousands)*	**Share capital** *HK$'000*
As at 31 December 2016	1,248,200	124,820
As at 30 June 2017	1,248,200	124,820

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 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
As at 1 January 2017	**464,464**	**74,519**	**-**	**158,928**	**94,434**	**347,008**	**1,139,353**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**14,780**	**14,780**
As at 30 June 2017	**464,464**	**74,519**	**-**	**158,928**	**94,434**	**361,788**	**1,154,133**

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 2017, there was no net profit for appropriation.

15 TRADE PAYABLES

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

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
0 – 30 days	**20,201**	40,866
31 – 90 days	**23,138**	22,687
Over 90 days	**92,755**	146,871
	136,094	210,424

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	
	2017 *HK$'000*	2016 *HK$'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	**4,082**	4,421
– Other long-term benefits	**140**	347
Total	**4,222**	4,768
(b) Purchases of goods:		
– Subsidiary of Tsinlien Group Company Limited ("Tsinlien"), the ultimate holding company	**–**	1,447
Goods are bought on normal commercial terms and conditions		

Notes to the Condensed Financial Information

16 RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances arising from purchases of goods

	Unaudited As at 30 June 2017 *HK$'000*	Audited As at 31 December 2016 *HK$'000*
Payables to related parties		
– Subsidiary of Tsinlien	**798**	1,075

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