



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

(Incorporated in the Cayman Islands with limited liability)

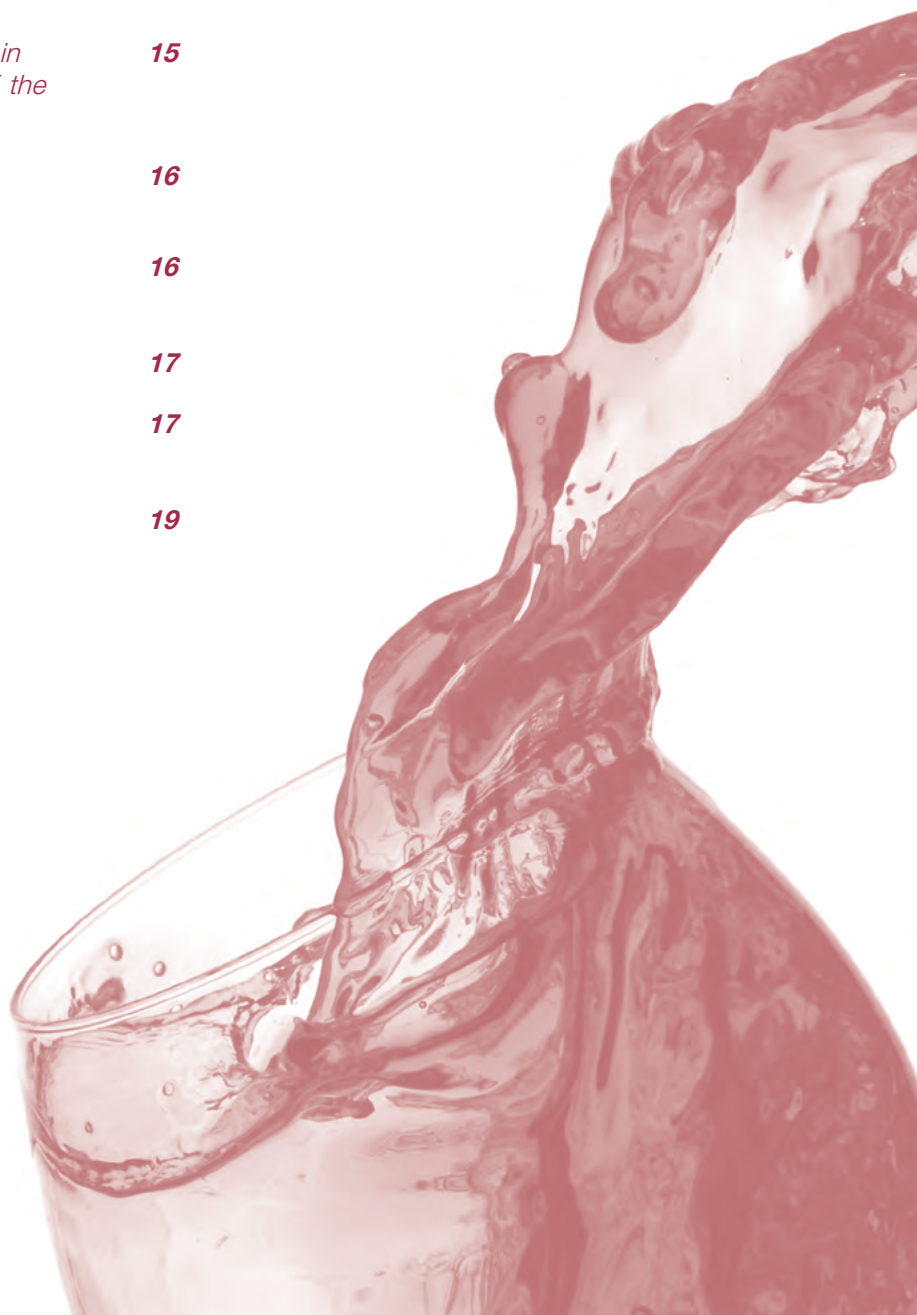
Stock Code: 828

A dynamic photograph of red wine being poured into a glass, with the liquid splashing and creating a sense of movement. The background is white with gold geometric lines.

**2020**  
Interim Report

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# Corporate Profile

Dynasty is a premier winemaker with a long historical presence in the People's Republic of China (“**PRC**”) wine market. 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.

On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code 828. Having strong support from our major shareholders – Tsinlien Group Company Limited and Remy Cointreau, Dynasty keeps on providing its consumers with 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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Changes
Revenue	<b>89,886</b>	132,175	-32%
Gross profit	<b>26,635</b>	49,353	-46%
Profit/(loss) attributable to owners of the Company	<b>142,681</b>	(32,191)	
	<b>2020</b>	2019	Changes in percentage point
Gross profit margin	<b>30%</b>	37%	-7%

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. SUN Jun<sup>(^)</sup>  
Mr. LI Guanghe  
Mr. SUN Yongjian<sup>(&)</sup>

### Non-Executive Directors

Mr. HÉRIARD-DUBREUIL Francois  
Ms. SHI Jing  
Mr. Jean-Marie LABORDE  
Mr. WONG Ching Chung<sup>(&)</sup>  
Mr. ROBERT Luc

### Independent Non-Executive Directors

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

# Audit committee member

& Remuneration committee member

^ Nomination committee member

## COMPANY SECRETARY

Mr. HO Yiu Sum

## AUTHORISED REPRESENTATIVES

Mr. SUN Yongjian  
Mr. HO Yiu Sum

## LEGAL ADVISERS

### Hong Kong

K&L Gates

### Cayman Islands

Conyers Dill & Pearman, Cayman

### The People's Republic of China

Tianjin Shuze Lawyer

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## 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, Beichen 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

## PRINCIPAL BANKERS

China Everbright Bank  
Industrial and Commercial Bank of China  
China Citic Bank  
China Merchants Bank

## INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

## COMPANY WEBSITE

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

## ONLINE SALES WEBSITE

<https://dynastytj.jd.com>  
(王朝葡萄酒旗艦店 — 京東) (P.R.C.)  
<http://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 2020 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 2020 decreased by 32% to HK\$89.9 million (2019 – HK\$132.2 million) and the Group's profit attributable to the owners of the Company increased to HK\$142.7 million (2019 – loss of HK\$32.2 million).

Earnings per share of the Company (the “**Share**”) for the six months ended 30 June 2020 was HK11.4 cents per Share (2019 – loss of HK2.6 cents per Share) based on the weighted average number of 1,248 million Shares (2019 – 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the period ended 30 June 2020.

The increase in profit attributable to the owners of the Company in the first half of 2020 was primarily contributed by the net gain on the Disposal. Excluding such gain on the Disposal, the Group had a operating loss which was mainly attributable to (i) the drop in gross profit resulting from a decrease in the revenue of the Group; and (ii) the payment of employee compensation due to the implementation of staff reform plan during the period under review.

## FINANCIAL REVIEW

### Income Statement

#### *Revenue*

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2020, total revenue of the Group decreased by 32% to approximately HK\$89.9 million from approximately HK\$132.2 million due to the effect on novel coronavirus pneumonia (“**COVID-19**”) since January 2020 as well as restrictions on consuming places imposed by the government in the PRC and adverse impact of the epidemic on consumer sentiment.

The Group's average ex-winery sales price of red and white wine products under the “Dynasty” brand (in RMB) during the period under review remained stable. 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.

# Management Discussion and Analysis

## *Cost of sales of goods*

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

	For the six months ended 30 June	
	2020 %	2019 %
Cost of raw materials		
– Grapes and grape juice	44	42
– Yeast and additives	2	2
– Packaging materials	20	19
– Others	2	1
Total cost of raw materials	68	64
Manufacturing overheads	24	30
Consumption tax and other taxes	8	6
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 44% of the Group's total cost of sales, representing an increase of 2% from approximately 42% in the corresponding period in 2019, 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 process. During the period under review, manufacturing overheads decreased as compared with the corresponding period in 2019 due to the decrease in production staff cost resulting from the implementation of staff reform plan, and the decrease in transportation and utilities charges related to the production.



# 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 decreased to 30% for the six months ended 30 June 2020 from 37% for the corresponding period in 2019, mainly as a result of the increase in raw material costs and decrease in average selling price of certain white wine and promotional products compared with the corresponding period.

During the period under review, the gross profit margin of red wine products and white wine products were 30% and 31% respectively (2019 – 35% and 43% respectively).

## ***Other income, other gains and losses – net***

Other income, other gains and losses mainly comprises of gain on disposal of obsolete products, government subsidies related to enterprise development and compensation.

Other income, other gains and losses for the six months ended 30 June 2020 represented a net gain of HK\$0.7 million (2019 – HK\$1.7 million). The drop was mainly due to the decrease in gain on disposal of obsolete products.

## ***Distribution costs***

Distribution costs principally include advertising and market promotion expenses, transportation and delivery charges in connection with the sales of 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 31% (2019 – 36%) of the Group's revenue. The decrease in distribution costs to revenue ratio was due to less mass-scale promotion campaign during the COVID-19 outbreak. The Group would continue to promote and market its brand and new products effectively through a range of joint promotions with 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, legal and professional fees, depreciation and amortisation expenses, impairment allowance and other incidental administrative expenses.

During the period under review, administrative expenses as a percentage of the Group's revenue accounted for 46% (2019 – 25%). The increase in ratio was mainly attributable to the payment of employee compensation due to the implementation of staff reform plan during the period under review. Excluding such an employee compensation, the administrative expenses decreased compared with the corresponding period as a result of strengthening cost control measures.

# Management Discussion and Analysis

## ***Net gain on the disposal of the chateau and related facilities***

Pursuant to the disposal of the chateau and related facilities (the “**Disposal**”) in July 2018 at the consideration of RMB400 million (equivalent to HK\$446.5 million), the Disposal completed on 23 January 2020, a net gain on the Disposal (before land appreciation tax) of HK\$244.9 million was recognised during the period under review.

## ***Finance income/(costs) – net***

During the period under review, there was a change to finance income – net, mainly due to increase in bank interest income and nil bank loan interest compared with the corresponding period.

## ***Income tax expense***

No provision for taxation in Hong Kong has been made as the Group did not have any assessable profit arising from Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Provision for the PRC Enterprise Income Tax was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries operated in the PRC.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land, sales charges and all property development expenditures.

## **FINANCIAL MANAGEMENT AND TREASURY POLICY**

As at 30 June 2020, the Group’s revenue, expenses, assets and liabilities were substantially denominated in RMB. The funding from the operations and borrowings was placed on short-term deposits (denominated in RMB or Hong Kong dollars) with authorised financial institutions. The Company would also pay any 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 net cash position, 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.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Sales analysis

#### A. *Distributorship*

The decrease in revenue was primarily attributable to the outbreak of COVID-19. Since the outbreak of COVID-19 from January 2020, the Group has adopted various prevention and control measures in accordance with the relevant national and local regulations on epidemic prevention and control, with an aim to minimise the impact of the outbreak on the Group's operations.

However, during the epidemic period, in particular from January to April 2020, business/government banquets and family gatherings in the national markets were greatly reduced due to the restrictions imposed regarding the epidemic prevention and control policies, and densely populated consuming places, such as supermarkets, tobacco and liquor stores and other retail terminals, were under strict policy control in regard to their operation during the period from January to April, which seriously affected the consumption sentiments of wine products. Following the effective containment of epidemic and recovery of operation of consuming places in the PRC, the situation gradually improved in the second quarter of the year.

During the period under review, the Group continued implementing a sales and marketing reform, which encompassed promoting two upgrades, namely product upgrade and brand upgrade, forming the third-tier markets, i.e. the core market, key market and potential market and taking the four management measures. Such measures included (i) enhancing expansion and control of the online channels, such as developing new channels and launching new products; (ii) launching of mass-scale marketing campaign including showcasing in retail shops, hosting wine tasting events and organising plant visits to strengthen the closer bonds with customers; (iii) accelerating the standardisation of the markets; and (iv) exploring new distributors and updating existing distributors to strengthen cooperation with them. The Group co-operated with distributors to strengthen the control on retail price and over the sales channels to improve the operational efficiency of the Group.

Sales of red wines continued to be the Group's primary revenue contributor accounted for approximately 63% of the Group's revenue for the period under review (2019 – 75%).

The Group produced 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 mass-market segments in the PRC wine market. During the period under review, the Group launched a new high-end product, i.e. Dynasty Chinese Zodiac Commemorative Dry Red Wine for the Geng Zi Year of the Rat, integrating the high quality with the Chinese zodiac culture and leading the rise of Chinese-style fashion products. The Group also launched Dynasty Jiuxiang Rose Liqueur series early this year. Moreover, the blockbuster products, i.e. the second generation of Dynasty Merlot Dry Red Wine series made their debut on the market in May, targeting on business banquets as a model for business use. Meanwhile, the Group released Dynasty Seven-Year Reserve Dry Red Wine series, positioning high-end appreciation as representation of the state banquet quality.

# Management Discussion and Analysis

Moreover, the Group also sold foreign branded wines mainly imported from France, Italy, Germany, Austria, Australia, New Zealand, Chile and Spain in the PRC wine market through the Group's existing distribution network to introduce some classic "old world" and "new world" varieties to cater for a market niche preferring the taste of foreign premium wines. The Group currently sells about 110 imported products under approximately 20 brands. The Group believes that with the trend of increasing wealth and the disposable income of consumers for a medium-term, the demand for Dynasty and imported wines should increase.

## **B. Online sales**

Online sales have become increasingly important in the PRC. The Group kept and strengthened cooperation with distributors to operate online stores on the e-commerce platforms. In addition to online stores on Tmall (天貓商城) and JD.com (京東商城), online flagship store on Pinduoduo (拼多多) platform and distribution line on Tmall Mart (天貓超市), the Group also developed new online sales channels during the period under review, such as the second-line sales distribution platform, social media and social group e-commerce platforms or in the form of online celebrity live delivery to further expand its sales channels and build up a new customer base.

The Group strategically plans and continues putting resources for future improvement of the online sales channels and optimisation of online stores interface so as to capture the change of customer consumption behavior in the PRC. During the period under review, the Group also offered series of new products through launching exclusive online products on an e-commerce platform and strengthened the price management of online sales of old products. Although the online sales contribution was not material to the Group during the period under review, the Group is optimistic about the prospects of the on-line business. The Group believes that the online platform not only serves as a business-to-customer trading platform between the Group and the consumers, but also an additional marketing and promotion channel for the brand. Thus, the platform should enhance the overall business potential of the Group.

## **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 the Group has enjoyed long-term relationships, mainly located in Tianjin, Hebei, Ningxia and Xinjiang. Ensuring reliable supplies of quality grapes and grape juice to meet the production needs of the Group's growing business 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 grapes. For optimising supply network, the Group has also kept identifying new suppliers who comply with the quality requirements and conducts thorough tests on their grape juice before orders are placed. These procedures ensure the Group to procure quality grapes and grape juice supplies and also minimise the effect of bad harvests interrupting production.

## **Production capacity**

After completion of the Disposal in January 2020, as at the end of June 2020, the Group's annual production capacity decreased to 50,000 tonnes (equivalent to approximately 66.7 million bottles) (2019 – 70,000 tonnes). Such capacity is sufficient for the Group to promptly response to the market demand and provides a platform for sustainable earnings growth.

# Management Discussion and Analysis

## Prospects and future plans

Looking ahead to the second half of 2020, the Group expects to continue to face various challenges from fast-changing economic conditions, and the outbreak of COVID-19 and opportunities from an increasing trend of domestic consumption backed by the government support. Going forward, following the gradual improvement of epidemic situation, apart from intensifying the sales and marketing reform, the Group will strive to adjust the product strategy to gradually improve its performance by the implementation of the “5+4+N product strategy”, among which “5” represents the five key series of products namely, air dry series, seven-year reserve series, merlot series, classic series and best selling series, to achieve the goal of full coverage for all mainstream price segments; “4” refers to the four advantageous categories i.e. dry red wines, dry white wines, brandy and sparkling wines, to increase the vertical market share; and “N” stands for development of various customised products to meet the diversified needs of Chinese consumers. With effective product strategies and a high quality and diversified product portfolio, the Group firmly believes that the “Dynasty” brand is able to attract more consumers.

The Group has been closely monitoring the market conditions and adjusted its business strategies to minimise the adverse impact on the operations, and the Group has also strengthened cost control and adopted appropriate measures in a timely manner. Subject to factors including the development of the COVID-19 situation and the market conditions, the Group currently expects that the revenue of the Group will steadily improve in the second half of 2020 as compared with the first half of the year. The Group will continue to adhere to the brand and quality, and consolidate the Group’s position in the domestic wine industry in the PRC.

## 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 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 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.

During the period under review, the Group implemented a staff reform plan to streamline and optimise the personnel and business units’ structure, aiming at achieving cost savings in the medium term. The Group employed a work force of 298 (including directors) (2019: 379) in Hong Kong and the PRC as at 30 June 2020. The total salaries and related costs (including the directors’ fees and the employee compensation of staff reform plan) for the period ended 30 June 2020 amounted to approximately HK\$48.0 million (2019 – HK\$47.1 million).

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial position of the Group remained solid as the Group continued to adopt a prudent approach in managing its financial resources. As at 30 June 2020, the Group's cash and cash equivalents, and short-term deposits amounted to HK\$108.0 million (31 December 2019 – HK\$157.5 million). The decrease was mainly due to the settlement of trade payables during the period under review. 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.

## CAPITAL STRUCTURE

The Group had cash and liquidity position of HK\$108.0 million (31 December 2019 – HK\$157.5 million) as at 30 June 2020, reflecting its sound capital structure. The Group expects its cash and financial support from the ultimate controlling party of the Company's major shareholder to be sufficient to support operating and capital expenditure requirements in the foreseeable future.

The Group also monitors capital on the basis of the liability-to-asset ratio. As at 30 June 2020, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 59% (31 December 2019 – 91%). The Group's gearing ratio decreased to a certain sound level.

The market capitalisation of the Company as at 30 June 2020 was approximately HK\$262 million (issued share capital: 1,248,200,000 Shares at closing market price: HK\$0.210 per Share) (31 December 2019 – HK\$406 million).

## CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 30 June 2020, there were no capital expenditure contracted for at the end of the period but not yet incurred (31 December 2019 – HK\$391,000) and no charges on assets.

The Group had contingent liabilities in relation to a labour arbitration. In December 2019, four employees of the Group lodged a labour arbitration to Tianjin Beichen District Labour Dispute Arbitration Committee ("**Arbitration Committee**") against two subsidiaries of the Company claiming for a total compensation of RMB3.5 million regarding the termination of their employment contracts, which were for the purpose of changing their employment to other subsidiaries within the Group. Based on the understanding of the related local laws and regulations and the consultation with an external legal counsel, the Directors are of the view that the potential compensation amount is not likely to be higher than RMB1.76 million (equivalent to HK\$1.92 million). Therefore, a provision for this contingent liability has been made as at 30 June 2020. Pursuant to the arbitral awards issued by the Arbitration Committee dated 17 August 2020 and 21 August 2020 respectively, the total amount of approximately RMB61,300 (equivalent to approximately HK\$67,700) shall be payable by the Company, while other arbitration applications made by the applicant were dismissed. As at the date of this report, the arbitral awards become effective from the above dates of issue, but subject to appeal lodged by the parties to the People's Court within a period of 15 days after the awards were received.

# Management Discussion and Analysis

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the period ended 30 June 2020, the Group had not made any material acquisition or disposal of subsidiaries, associates or joint ventures.

## EVENT AFTER THE REPORTING PERIOD

### 1) COVID-19

In view of the ongoing COVID-19 epidemic, the temporary economic slowdown resulted from the epidemic may lead to a reduction in the overall consumption of wines in the market which might indirectly affect the Group's financial performance. It is not possible to precisely estimate the full financial effect that the epidemic will have had on the Group's operations as of the date of this report. The Group will closely monitor the development of the COVID-19 epidemic and continue to evaluate its impact on the financial position and operating results of the Group accordingly. The related impact will be reflected in the Company's 2020 annual consolidated financial statements.

### 2) Proposed change of shareholding structure of the intermediate controlling shareholder of the Company

Pursuant to the announcements of the Company dated 18 June 2020 and 20 August 2020, the Company has been informed by shareholder of Famous Ever Group Limited ("**Famous Ever**") that it has entered into a conditional agreement with 天津食品集團有限公司 (Tianjin Food Group Company Limited) ("**Tianjin Food**") pursuant to which the entire issued share capital of Famous Ever would be transferred to Tianjin Food. Completion of such transfer (the "**Completion**") will take place upon fulfillment of the conditions precedent set out the aforesaid agreement. Completion has yet taken place and Famous Ever is interested in approximately 44.70% of the issued share capital of the Company as at the date of this report.

## 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 2020.

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

As at 30 June 2020, none of the Directors or chief executive of the Company 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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.

At no time during the period ended 30 June 2020 was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

# Management Discussion and Analysis

## PERSONS HOLDING 5% OR MORE INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the interests or short positions of any person, 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

Name	Interests in Shares other than pursuant to equity derivatives (and capacity)	Aggregate long position	Approximate percentage of the Company's issued voting Shares
Famous Ever Group Limited	558,000,000 ordinary Shares (beneficial owner)	558,000,000 ordinary Shares	44.70%
Tsinlien Group Company Limited ("Tsinlien") (Note 1)	21,922 ordinary Shares (beneficial owner) 558,000,000 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
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 2)	558,021,922 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings") (Note 2)	558,021,922 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
Remy Pacifique Limited (Note 3)	336,528,000 ordinary Shares (beneficial owner)	336,528,000 ordinary Shares	26.96%
Remy Concord Limited (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Remy Cointreau Services S.A.S. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Remy Cointreau S.A. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Orpar S.A. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Andromede S.A. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%



# Management Discussion and Analysis

## Notes:

- (1) Famous Ever Group Limited is a direct wholly-owned subsidiary of Tsinlien. By virtue of the SFO, Tsinlien is deemed to be interested in the same parcel of Shares in which Famous Ever Group Limited is interested.
- (2) Tsinlien is also 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 and Bohai are deemed to be interested in the same parcel of Shares in which Tsinlien is interested.
- (3) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 39% 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 70% 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 2020, 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.

Apart from Ms. Shi Jing who is also a director of Tsinlien Investment Holdings, Tsinlien and Famous Ever Group Limited, and Mr. Heriard-Dubreuil Francois who is also a director and/or an employee of Andromede S.A., Orpar S.A., Remy Cointreau S.A., Remy Concord Limited and Remy Pacifique Limited, as at 30 June 2020, none of the Directors is a director or employee of a company having interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any securities of the Company 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 Rules Governing the Listing of Securities on the Stock Exchange (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 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 2020.

# Management Discussion and Analysis

## 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 (the “Code”) as set out in Appendix 14 to the Listing Rules for the period ended 30 June 2020. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

- 1) During the period ended 30 June 2020 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 of the Board as required under Rule 3.10A of the Listing Rules.
- 2) According to code provision A.4.2 of the Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of Mr. Sun Jun, Mr. Li Guanghe, Mr. Sun Yongjian, Ms. Shi Jing, Dr. Zhang Guowang and Mr. Sun David Lee was appointed to fill a casual vacancy subsequent to 30 May 2012, being the date of last annual general meeting of the Company, had not been re-elected by the shareholders of the Company at the next general meeting after their appointment held on 5 December 2018 in accordance with code provision A.4.2 of the Code.

Mr. Heriard-Dubreuil Francois, Mr. Wong Ching Chung, Mr. Jean-Marie Laborde, Mr. Robert Luc and Mr. Yeung Ting Lap Derek Emory did not retire by rotation in accordance with code provision A.4.2 of the Code because no annual general meeting has been held by the Company since 30 May 2012.

On 30 June 2020, the Company held an annual general meeting for the financial year ended 31 December 2019. All the Directors had been re-elected by the shareholders of the Company at the annual general meeting to comply with the code provision A.4.2 of the Code.

# Management Discussion and Analysis

## AUDIT COMMITTEE

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 this interim report for the six months ended 30 June 2020.

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

Hong Kong, 27 August 2020

# ***Financial Section***

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# Condensed Consolidated Income Statement

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers	5	89,886	132,175
Cost of sales of goods		(63,251)	(82,822)
<b>Gross profit</b>		<b>26,635</b>	49,353
Other income, other gains and losses – net		727	1,655
Reversal of impairment losses on financial assets – net		–	909
Distribution costs		(27,658)	(48,056)
Administrative expenses		(41,526)	(33,390)
<b>Operating loss</b>	6	<b>(41,822)</b>	(29,529)
Net gain on disposal of the chateau and related facilities		244,944	–
Finance income		753	418
Finance costs		(69)	(3,324)
Finance income/(costs) – net		684	(2,906)
<b>Profit/(loss) before income tax</b>		<b>203,806</b>	(32,435)
Income tax expense	7	(61,211)	(23)
<b>Profit/(loss) for the period</b>		<b>142,595</b>	(32,458)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		142,681	(32,191)
Non-controlling interests		(86)	(267)
		<b>142,595</b>	<b>(32,458)</b>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(loss) per share attributable to owners of the Company for the period</b>			
– Basic and diluted earnings/(loss) per share	9	<b>11.4</b>	(2.6)

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

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(loss) for the period</b>	<b>142,595</b>	(32,458)
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>(3,774)</b>	(336)
<b>Total comprehensive income/(loss) for the period</b>	<b>138,821</b>	(32,794)
<b>Total comprehensive income/(loss) for the period is attributable to:</b>		
– Owners of the Company	<b>138,818</b>	(32,472)
– Non-controlling interests	<b>3</b>	(322)
	<b>138,821</b>	(32,794)

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

# Condensed Consolidated Balance Sheet

As at 30 June 2020

	Notes	As at	
		30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	66,652	71,309
Right-of-use assets	11	18,682	20,460
Investment in an associate	12	–	–
Deferred income tax assets		–	–
<b>Total non-current assets</b>		<b>85,334</b>	<b>91,769</b>
<b>Current assets</b>			
Trade receivables	13	29,964	38,748
Notes receivables	14	26,789	29,868
Other receivables		24,517	8,917
Prepayments		2,176	95,248
Inventories		265,102	289,747
Cash and cash equivalents	15	108,341	157,932
		<b>456,889</b>	<b>620,460</b>
<b>Assets classified as held for sale</b>	16	<b>–</b>	<b>178,068</b>
<b>Total current assets</b>		<b>456,889</b>	<b>798,528</b>
<b>Total assets</b>		<b>542,223</b>	<b>890,297</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		–	1,001
<b>Current liabilities</b>			
Trade payables	19	54,635	100,598
Contract liabilities		61,716	66,028
Advance received for disposal of chateau assets		–	446,528
Other payables and accruals		200,319	188,779
Provisions for contingent liabilities		1,923	1,961
Lease liabilities		2,083	2,676
<b>Total current liabilities</b>		<b>320,676</b>	<b>806,570</b>
<b>Total liabilities</b>		<b>320,676</b>	<b>807,571</b>

# Condensed Consolidated Balance Sheet

As at 30 June 2020

		<b>As at</b>	
		<b>30 June 2020 Unaudited HK\$'000</b>	31 December 2019 Audited HK\$'000
<i>Notes</i>			
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company:</b>			
Share capital	17	<b>124,820</b>	124,820
Other reserves	18	<b>1,140,956</b>	1,144,819
Accumulated losses		<b>(1,061,298)</b>	(1,203,979)
Capital and reserves attributable to owners of the Company		<b>204,478</b>	65,660
Non-controlling interests		<b>17,069</b>	17,066
<b>Total equity</b>		<b>221,547</b>	82,726
<b>Total equity and liabilities</b>		<b>542,223</b>	890,297

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



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

		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
<b>Balance at 1 January 2019</b>		124,820	1,147,632	(1,131,036)	141,416	13,739	155,155
<b>Comprehensive loss</b>							
Loss for the period		-	-	(32,191)	(32,191)	(267)	(32,458)
<b>Other comprehensive loss</b>							
Currency translation differences	18	-	(281)	-	(281)	(55)	(336)
<b>Total comprehensive loss</b>		-	(281)	(32,191)	(32,472)	(322)	(32,794)
<b>Balance at 30 June 2019</b>		124,820	1,147,351	(1,163,227)	108,944	13,417	122,361
<b>Balance at 1 January 2020</b>		124,820	1,144,819	(1,203,979)	65,660	17,066	82,726
<b>Comprehensive income/(loss)</b>							
Profit/(loss) for the period		-	-	142,681	142,681	(86)	142,595
<b>Other comprehensive (loss)/income</b>							
Currency translation differences	18	-	(3,863)	-	(3,863)	89	(3,774)
<b>Total comprehensive (loss)/income</b>		-	(3,863)	142,681	138,818	3	138,821
<b>Balance at 30 June 2020</b>		124,820	1,140,956	(1,061,298)	204,478	17,069	221,547

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

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash (used in)/generated from:		
– operating activities	(44,846)	(38,100)
– investing activities	(76)	454,661
– financing activities	(4,782)	(223,887)
Net (decrease)/increase in cash and cash equivalents	(49,704)	192,674
Cash and cash equivalents at 1 January	157,932	80,952
Changes in exchange rate	113	873
Cash and cash equivalents at 30 June	108,341	274,499

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

# Notes to the Condensed Financial Information

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and sale of wine products.

The Company has its primary listing on the Main Board of the Stock Exchange.

The condensed consolidated interim financial information was approved for issue by the Board on 27 August 2020. 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 2020 are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” as well as applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“**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 consolidated financial statements for the year ended 31 December 2019, except for the adoption of amendments to HKFRSs which effective for the financial year beginning on or after 1 January 2020.

Except as disclosed below, 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 the Group.

# Notes to the Condensed Financial Information

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

### 2.2 New and amended standards adopted by the Group

Except as described below, the accounting policies applied in this report are consistent with those of the 2019 annual consolidated financial statements as described therein.

#### ***New and amended standards and interpretation adopted by the Group***

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2020.

<b>Standards</b>	<b>Subject</b>
Amendments to HKAS 1 and HKAS 8	Definition of Material
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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 consolidated financial statements for the year ended 31 December 2019.

# Notes to the Condensed Financial Information

## 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 unaudited 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 2019.

In addition, the loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

## 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 ice wine. The executive Directors assess the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

	Unaudited			Total group HK\$'000
	Red wines HK\$'000	White wines HK\$'000	All other products HK\$'000	
<b>Six months ended 30 June 2020</b>				
<b>Revenue from contracts with customers</b>	<b>57,061</b>	<b>31,138</b>	<b>1,687</b>	<b>89,886</b>
<b>Gross profit</b>	<b>17,090</b>	<b>9,500</b>	<b>45</b>	<b>26,635</b>
<b>Unallocated items:</b>				
Depreciation of property, plant and equipment				(2,997)
Depreciation of right-of-use assets				(1,652)
<b>Six months ended 30 June 2019</b>				
<b>Revenue from contracts with customers</b>	98,907	32,554	714	132,175
<b>Gross profit</b>	34,792	14,128	433	49,353
<b>Unallocated items:</b>				
Depreciation of property, plant and equipment				(5,153)
Depreciation of right-of-use assets				(4,809)

# Notes to the Condensed Financial Information

## 5 SEGMENT INFORMATION (continued)

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

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Gross profit for reportable segments	26,635	49,353
Other income, other gains and losses – net	727	1,655
Reversal of impairment losses on financial assets – net	–	909
Distribution costs	(27,658)	(48,056)
Administrative expenses	(41,526)	(33,390)
Operating loss	(41,822)	(29,529)
Net gain on disposal of chateau and related facilities	244,944	–
Finance income/(costs) – net	684	(2,906)
Profit/(loss) before income tax	203,806	(32,435)

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 external customers (2019: Nil) with whom transactions have exceeded 10% of the Group's revenues. The majority of sales of the Group were made within the PRC.

## 6 OPERATING LOSS

Operating loss is stated after charging/(crediting):

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Employee costs comprising:		
– salaries, other allowance and benefits (note)	46,433	42,312
– contributions to retirement benefits scheme	1,559	4,823
Total employee costs including directors' emoluments	47,992	47,135
Depreciation of property, plant and equipment and amortisation of land use rights	2,997	5,153
Depreciation of right-of-use assets	1,652	4,809
Loss on disposal of property, plant and equipment	–	86
Reversal of impairment allowance of inventories included in cost of sales	–	(4,286)

Note: Salaries, other allowance and benefit included the payment of employee compensation due to implementation of staff reform plan of HK\$13,349,000.

# Notes to the Condensed Financial Information

## 7 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax:		
Corporate income tax	1	23
Land appreciation tax	61,210	–
	61,211	23
Deferred income tax	–	–
Income tax expense	61,211	23

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% (2019: 25%).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land, sales charges and all property development expenditures

## 8 DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2020 (2019: Nil).

## 9 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per Share is based on the profit attributable to the owners of the Company of HK\$142,681,000 (2019 – loss of HK\$32,191,000) and the weighted average number of 1,248,200,000 Shares in issue during the six months ended 30 June 2020 (2019: 1,248,200,000 Shares).

As the Group has no dilutive instruments during the six months ended 30 June 2020 and 2019, the Group's diluted earnings/(loss) per Share equal to its basic earnings/(loss) per Share for the six months ended 30 June 2020 and 2019.

## 10 CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the Group acquired plant and equipment amounting to approximately HK\$0.1 million (six months ended 30 June 2019: HK\$0.1 million).

# Notes to the Condensed Financial Information

## 11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group did not recognise additional right-of-use assets (31 December 2019: assets recognised with a cost of approximately HK\$3.9 million) and the depreciation of right-of-use assets recognised in unaudited condensed consolidated statement of comprehensive income was approximately HK\$1.7 million (2019: approximately HK\$4.8 million).

## 12 INVESTMENT IN AN ASSOCIATE

Set out below are details of the associate of the Group as at 30 June 2020 and 31 December 2019. 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 2020 and 31 December 2019 is as follows:

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

As at 30 June 2020, the Group held a 25% (2019: 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.

## 13 TRADE RECEIVABLES

The Group grants a credit period of 90 days (31 December 2019: 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Up to 90 days	20,532	30,781
More than 30 days past due	819	7,402
More than 90 days past due	9,558	1,039
More than 270 days past due	17,268	17,410
	<b>48,177</b>	56,632
Less: Provision for impairment	<b>(18,213)</b>	(17,884)
Trade receivables – net	<b>29,964</b>	38,748

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.



# Notes to the Condensed Financial Information

## 14 NOTES RECEIVABLE

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
Bank acceptance bill	<b>26,789</b>	29,868

As of 30 June 2020 and 31 December 2019, notes receivable amounted to HK\$26,789,000 and HK\$29,868,000 were all bank acceptance notes with maturity date within 6 months and are classified as financial assets at fair value through other comprehensive income.

## 15 CASH AND CASH EQUIVALENTS

### (i) Restricted cash

The cash and bank included HK\$344,000 (2019: HK\$384,000) held by the Group. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

### (ii) Cash and cash equivalents

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
Cash at bank and in hand	<b>107,997</b>	157,548

Cash and bank balances were primarily deposited with banks in the PRC and were principally denominated in RMB. The conversion of these RMB denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government.

# Notes to the Condensed Financial Information

## 16 ASSETS CLASSIFIED AS HELD FOR SALE

	<b>Unaudited 30 June 2020 HK\$'000</b>	Audited 31 December 2019 HK\$'000
Assets held for sale – chateau and related facilities		
Buildings	-	145,421
Land use rights	-	32,647
	<u>-</u>	<u>178,068</u>

Pursuant to the disposal of land use rights and aboveground buildings covering a chateau and the related facilities of the Group (the “Disposal”) in July 2018, the Group received the consideration of RMB400 million (equivalent to HK\$446.5 million) in May 2019. As at 31 December 2019, the consideration received was recorded as a current liability. The Disposal completed on 23 January 2020, a net gain on the Disposal and related land appreciation tax were recognised during the six months ended 30 June 2020.

## 17 SHARE CAPITAL

### Ordinary Shares, issued and fully paid:

	<b>Number of Shares (thousands)</b>	<b>Share capital HK\$'000</b>
As at 31 December 2019 (audited)	<u>1,248,200</u>	<u>124,820</u>
As at 30 June 2020 (unaudited)	<u>1,248,200</u>	<u>124,820</u>

# Notes to the Condensed Financial Information

## 18 OTHER RESERVES

	Unaudited					Total HK\$'000
	Share premium (Note i) HK\$'000	Merger reserve (Note ii) HK\$'000	Reserve fund (Note iii) HK\$'000	Enterprise expansion fund reserve (Note iii) HK\$'000	Exchange Reserve HK\$'000	
As at 1 January 2019	464,464	74,519	158,928	94,434	355,287	1,147,632
Currency translation differences	—	—	—	—	(281)	(281)
As at 30 June 2019	464,464	74,519	158,928	94,434	355,006	1,147,351
As at 1 January 2020	464,464	74,519	158,928	94,434	352,474	1,144,819
Currency translation differences	—	—	—	—	(3,863)	(3,863)
As at 30 June 2020	464,464	74,519	158,928	94,434	348,611	1,140,956

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 re-organisation in preparation for listing its Shares on the Main Board of the Stock Exchange.

### (iii) RESERVE FUND AND ENTERPRISE EXPANSION FUND 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 fund 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 fund reserve can be used for expansion of production facilities or increase in registered capital. For the six months ended 30 June 2020, there was no appropriation of profit.

# Notes to the Condensed Financial Information

## 19 TRADE PAYABLES

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

	<b>Unaudited 30 June 2020 HK\$'000</b>	Audited 31 December 2019 HK\$'000
0-30 days	7,063	55,370
31-90 days	1,593	2,263
91-180 days	4,634	2,227
Over 180 days	41,345	40,738
	<b>54,635</b>	100,598

## 20 RELATED PARTY TRANSACTIONS

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

	<b>Unaudited Six months ended 30 June 2020 HK\$'000</b>	2019 HK\$'000
<b>(a) Key management compensation:</b>		
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	2,973	3,534
– Other long-term benefits	96	144
Total	<b>3,069</b>	3,678
<b>(b) Purchases of goods:</b>		
– Subsidiary of Tsinlien	<b>138</b>	118

Goods are bought on normal commercial terms and conditions.

# Notes to the Condensed Financial Information

## 20 RELATED PARTY TRANSACTIONS (continued)

### (c) Outstanding balances arising from purchases of goods and services

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
(i) Current payables to related parties – Tsinlien and its subsidiaries	<b>3,386</b>	3,450
The payables to related parties bore no interest.		
(ii) Prepayment to related parties – Tsinlien and its subsidiaries	<b>–</b>	63