



**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: 00828

# 2022

INTERIM  
REPORT





**DYNASTY**  
Since 1980

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



王朝  
DYNASTY

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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 grapes 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 00828. Having strong support from our major shareholders – Tianjin Food Group Co., Ltd. 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 strive to restore to the glory of Dynasty for the future of all our stakeholders.



# Financial Highlights

For the six months ended 30 June

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Changes
Revenue from contracts with customers	<b>101,113</b>	179,632	-44%
Gross profit	<b>40,624</b>	67,781	-40%
Profit attributable to owners of the Company	<b>10,702</b>	19,485	-45%

	<b>2022</b>	2021	Changes in percentage point
Gross profit margin	<b>40%</b>	38%	+2%



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. WAN Shoupeng<sup>(^)</sup>

Mr. LI Guanghe

Mr. HUANG Manyou<sup>(&)</sup>

### Non-Executive Directors

Mr. HERIARD-DUBREUIL Francois

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. HUANG Manyou

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

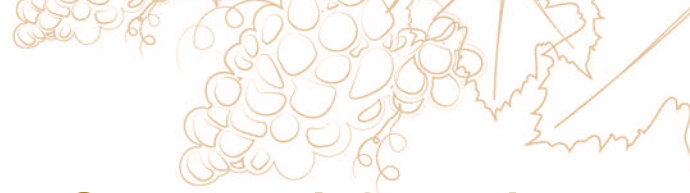
## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

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 WEBSITES

<https://mall.jd.com/index-11805161.html>  
(王朝葡萄酒旗艦店 – 京東) (P.R.C.)



<https://dynastyjl.world.tmall.com>  
(王朝葡萄酒旗艦店 – 天貓) (P.R.C.)



Pinduoduo (拼多多) (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 2022 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 revenue of Dynasty Fine Wines Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 decreased by 44% to HK\$101.1 million (2021: HK\$179.6 million) and the Group’s profit attributable to the owners of the Company decreased by 45% to HK\$10.7 million (2021: HK\$19.5 million).

Earnings per share of the Company (the “**Share**”) for the six months ended 30 June 2022 was HK0.9 cents per Share (2021: HK1.6 cents per Share) based on the weighted average number of 1,248 million Shares (2021: 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the six months ended 30 June 2022.

The decrease in profit attributable to the owners of the Company in the first half of 2022 was mainly attributable to drop in gross profit resulting from a decrease in the revenue of the Group for the period. The decrease in revenue was primarily due to i) control and lockdown measures imposed on consuming places as a result of the resurgence of the novel coronavirus pneumonia (“**COVID-19**”) in various cities in the People’s Republic of China (the “**PRC**”); and ii) adverse impact of the COVID-19 pandemic on consumer sentiment in the first half of 2022.

## FINANCIAL REVIEW

### Income Statement

#### *Revenue*

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2022, total revenue of the Group decreased by 44% to approximately HK\$101.1 million from approximately HK\$179.6 million in the corresponding period in 2021. The drop in revenue was mainly attributable to the decrease in sales volume of products, especially middle to high end wine products. The total number of bottles of wine sold decreased to approximately 3.9 million (2021: approximately 6.9 million) during the period, while the Group’s average ex-winery sale price of red and white wine products under the “Dynasty” brand (in Renminbi (“**RMB**”)) during the period under review remained stable with a mild drop.

With consumers’ growing interest of white wine products of the Group, especially in coastal regions of the PRC, sales of white wine products transcended red wines products as the Group’s primary revenue contributor for the first time, accounted for approximately 52% of the Group’s revenue for the period under review (2021: 41%), demonstrated the Group’s effort in capturing growth opportunities in the dry white wine market over the years.





## 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	
	2022 %	2021 %
Cost of raw materials		
– Grapes and grape juice	46	45
– Yeast and additives	2	2
– Packaging materials	20	21
– Others	2	1
Total cost of raw materials	70	69
Manufacturing overheads	18	20
Consumption tax and other taxes	12	11
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 46% of the Group's total cost of sales, remained stable when compared with approximately 45% in the corresponding period in 2021.

Manufacturing overheads primarily consisted of depreciation, 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 when compared with approximately 20% in the corresponding period in 2021 mainly due to decrease in delivery charge.

### **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 slightly to 40% for the six months ended 30 June 2022 from 38% for the corresponding period in 2021, mainly as a result of the impact of refinement of production process compared with the corresponding period in 2021.

During the period under review, the gross profit margin of red wine products and white wine products were 35% and 44% respectively (2021: 39% and 35% respectively).



## Management Discussion and Analysis

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

Other income, other gains and losses were mainly comprised of disposal of obsolete products, and government subsidies related to enterprise development and COVID-19.

Other income, other gains and losses for the six months ended 30 June 2022 represented a net gain of approximately HK\$1.6 million (2021: approximately HK\$0.5 million). The increase in net gain was mainly due to the increase of government subsidies of approximately HK\$0.5 million during the period under review.

### ***Distribution costs***

Distribution costs principally include advertising and market promotion expenses, storage 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 15% (2021: 16%) of the Group's revenue. The distribution costs to revenue ratio remained stable for the period. The Group continued 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 comprised 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 17% (2021: 12%). The increase in ratio was mainly attributable to a reduced revenue during the period. The administrative expenses still recorded a decrease compared with the corresponding period in 2021 primarily as a result of effective cost control measures and certain saving in repair and maintenance expenses.

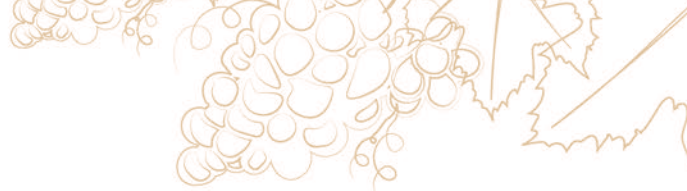
### ***Finance income – net***

During the period under review, there was an increase in finance income – net, which was mainly due to a decrease in finance costs compared with the corresponding period in 2021.

### ***Income tax expense***

No provision for taxation in Hong Kong had 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%.



# Management Discussion and Analysis

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.

## FINANCIAL MANAGEMENT AND TREASURY POLICY

For the six months ended 30 June 2022, the Group's revenue, expenses, assets and liabilities were substantially denominated in RMB. The funding from the operation was placed on short-term deposits (denominated in RMB, US dollars or Hong Kong dollars) with authorised financial institutions. The Company would also pay dividends in Hong Kong dollars when dividends were declared, if any. 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.

## BUSINESS REVIEW

### Sales analysis

#### **A. Distributorship**

For the six months ended 30 June 2022, the decrease in revenue was primarily due to:

- (a) control and lockdown measures imposed on consuming places as a result of the resurgence of COVID-19 in various cities in the PRC, distribution of goods was reduced with consumption scenario; and
- (b) adverse impact of the COVID-19 pandemic, coupling with slowdown of economy, on consumer sentiment.

During the period under review, the Group continued in implementing a sales and marketing reform, as well as product and channel strategies. Following the relaxation of control and lockdown measures, the Group will press ahead with its mass-scale marketing campaign showcasing 20,000 shops, hosting 1,000 wine tasting events and organising 100 plant visits, so as to keep developing and enhancing its point-of-sale network. The Group held its tasting and business events this February and June, during which the Group actively promoted its latest product mix that covered all product lines, and received enthusiastic market response. Close to the end of the first half of the year, the pandemic has subsided in most regions of the PRC, the business and sales of the Group has a gradual recovery to normal.



## Management Discussion and Analysis

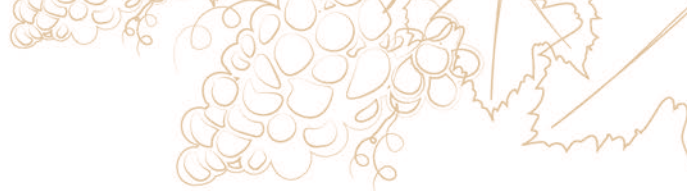
The Group has been actively pursuing innovation, embracing the “5+4+N” product strategy, with “N” standing for developing various customized products and continuously creating new products to meet the diverse needs of different Chinese consumer groups. During the period under review, the Group launched another round of product upgrade. The product upgrade in 2022 entailing the launch of new products more convenient to enjoy, young and chic. Such product upgrade also agreed to the trend of supporting domestic products, with an aim to invigorating the brand, strengthening the deployment of products for young consumers, as well as consolidating the image of Dynasty as a representative domestic grape wine brand.

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 Ren Yin Year of Tiger, integrating the high quality with the Chinese zodiac culture and the leading rise of Chinese-style fashionable products. A grape wine series of entry-level prices, Pleasant Color (怡色) targeting at young consumers has been well received since its debut last year. During this period, a gift box had been created for the collection, making it a gift option ideal for gatherings with family and friends and festive celebrations. In addition, the ready-to-drink series is designed to be easy to pair and goes well with hot pot, fusion and private kitchen dishes etc., thus is popular among young people. With such attributes and support of new media marketing on social media platforms including Xiaohongshu, Douyin, Kuaishou and Weibo, the series has become a hot choice on the Internet.

During the period, the Group also has launched the innovative 373ml and 180ml Dynasty dry red and semi-dry white series, to tap into the young consumer market. Unlike the traditional 750ml bottles the Group offers, the new sizes come with screw caps to make them more convenient to enjoy and better suit the lifestyle of the younger generation nowadays “Enjoy the wines anytime, anywhere”. The 180ml wine comes in boxes of six, giving young people another choice of drinks in gatherings than beers. As for the 373ml size, with online-to-offline (O2O) platform support, consumers can scan the product QR code and get rewards, not only promoting interaction between consumers and the brand, but also giving consumers direct benefits and surprise offers, and ultimately allowing Dynasty’s products to reach wider consumer groups.

Moreover, the Group also sold chateau wine imported from France and other foreign branded wines 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 consumers preferring the taste of foreign premium wines.

The Group believes that the trend of increasing wealth and the disposable income of consumers for a medium-term, as well as the rise of Chinese-style fashion, would steadily benefit the demand of domestic-made Dynasty wines.



## Management Discussion and Analysis

### **B. Online sales**

The e-commerce team of the Group started insourcing to operate online stores on the traditional e-commerce platforms, such as JD.com (京東商城), Tmall (天貓商城) and Pinduoduo (拼多多) for product sales, as well as comprehensive innovation on its brand, product categories, and business systems, procedures and models via new retail platforms, including Weibo, RED (小紅書 app), Kuai (快手 app) and TikTok (抖音 app) other than cooperation with distributors during the period under review. Such efforts facilitated the Group's autonomous brand communications so that it could continue to gain the attention of mainstream consumer groups and demographic segments, and enhance effective market penetration of the Group's products targeted at young consumers. The e-commerce team also actively cultivate e-commerce live broadcasting talents to further expand its sales channels so as to build up a new customer base.

The Group strategically plans and continues putting resources for 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, apart from the existing exclusive products for e-commerce platforms, the Group had also been developing emerging marketing channels, such as live broadcasting. To strengthen brand awareness, the Group has launched a "Chinese style" edition showing its name in Chinese "王朝", to bring home its position as a domestic grape wine brand and also to attract mainstream e-commerce consumers who love domestic makes and favours. The Group promotes the series via e-commerce channels and, on top of presence on mainstream e-commerce platforms, efforts have been made to exploit new retail channels using such supplementary promotional means as live streaming or videos. 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.

### **Research and Technology**

The Group is committed to maintaining high standard of research and technology which are essential to the sustainable growth of the Company. The post-doctoral work station in the National-level Technology Centre of the Group was set up for researching the selection of distinctive muscat yeast in order to brew more mellow and delicious wines. The centre has also set up a winemaking and wine tasting studio which has carried out rounds of wine introduction and tasting activities to date, with event focuses covering floral and fruit wine, sparkling wine, white wine, red wine and brandy. These activities have further broadened the professional competency of the studio staff and enable Dynasty's employees to gain a greater and in-depth understanding of wine products, so as to improve their technological and new product development capabilities. The new premises at the National-level Technology Centre opened in October 2021 further promote the Group's research and development of new products as well as new winemaking techniques.



# Management Discussion and Analysis

## Supplies of Grapes and 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 relationship, 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 expand 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. To optimise the supply network, the Group kept identifying new suppliers that comply with the quality requirements, and the Group conducted thorough tests on their grape juices before orders were placed. These procedures ensure the Group to procure quality grapes and grape juice supplies and also minimise the effect of bad harvests interrupting production. The Group also strengthened presence by setting up subsidiaries in Ningxia and Xinjiang during the period under review targeted to enhance the supply and procurement of quality grapes and grape juice in those regions with premium vineyards.

Following the entering into of the master purchase agreement with Tianjin Food Group Co. Ltd. ("**Tianjin Food**"), the procurement of grapes and grape juice (including unprocessed wines) from Tianjin Food not only maintained and stabilised the quality of grapes and grape juice (including unprocessed wines), but also reduced the Group's lead time and cost of transportation and storage. Furthermore, Tianjin Food will continue to follow the guidance and advices provided by the Group in the process of grape harvesting and pressing which can ensure that the quality of grape juice (including unprocessed wines) meets the Group's standard.

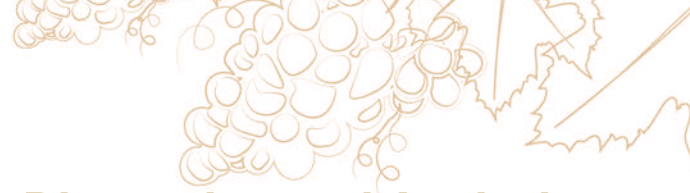
## Production Capacity

As at the end of June 2022, the Group's annual production capacity maintained at 50,000 tonnes (31 December 2021: 50,000 tonnes). Such capacity is sufficient for the Group to promptly respond to the market demand and provides a platform for sustainable earnings growth.

## Prospects and Future Plans

Looking ahead to the second half of 2022, the Group will focus on product quality, reinvent consumption scenarios and strive to guide market spending, while continuing to build Dynasty into a brand representative of Chinese wines and its wines into iconic products. The Group will also be persistent in meeting consumer demand by pursuing innovations for its wine series. Meanwhile, the Group will invest more resources in brand development to fully vitalise its brand and drive the development of its major products, with the aim of bringing Dynasty's superior wines to more consumers in the PRC.

As one of key players in domestic wine market in the PRC, the Group will further strengthen presence in Ningxia and Xinjiang to secure the supply of quality grapes and grape juice, and plan for the development of local production bases of grape juice in these regions in the long term.



## Management Discussion and Analysis

Subject to further development of the COVID-19 pandemic in the PRC, the Board currently remains cautiously optimistic on the business in the second half of 2022 and the Group will continue to be well prepared to tackle the uncertainties associated with the pandemic, proactively develop the market, improve quality and boost sales volume, following the gradual containment of the COVID-19 situation and relaxation of control and lockdown measures at the end of the second quarter of 2022, as well as the policy support for the recovery of economy.

No significant events had taken place after the six months ended 30 June 2022 to the date of this report.

### 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.

The Group employed a work force of 243 (including the board (the "**Board**") of directors (the "**Directors**")) (30 June 2021: 241) in Hong Kong and the PRC as at 30 June 2022. The total salaries and related costs (including the Directors' fees) for the six months ended 30 June 2022 amounted to approximately HK\$23.9 million (2021: HK\$27.2 million). During the period under review, the staff costs decreased mainly as a result of the drop in performance-based remuneration.

### 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 2022, the Group's cash and cash equivalents, and short-term deposits amounted to HK\$161.6 million (31 December 2021: HK\$196.1 million). The decrease was mainly attributable to settlement of trade and other 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 or proceeds from issue of shares, if any.

### CAPITAL STRUCTURE

The Group had cash and liquidity position of HK\$161.6 million (31 December 2021: HK\$196.1 million) as at 30 June 2022, reflecting its sound capital structure. The Group expects its cash to be sufficient to support its operating and capital expenditure requirements in the foreseeable future.



## Management Discussion and Analysis

The Group also monitored capital on the basis of the liability-to-asset ratio. As at 30 June 2022, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 51% (31 December 2021: 57%). The Group's gearing ratio maintained at a sound level.

The market capitalisation of the Company as at 30 June 2022 was approximately HK\$449.4 million (31 December 2021: approximately HK\$505.5 million).

### **CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS**

As at 30 June 2022, the Group had no capital commitment contracted but not recognised as liabilities for property, plant and equipment (31 December 2021: HK\$ nil) and there was no charge on assets.

The Group had contingent liabilities in relation to a labour arbitration. Up to the date of the report, there is one employee's arbitration against a subsidiary of the Company regarding the termination of employment contract in progress, and based on the understanding of the related 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 HK\$0.12 million (31 December 2021: HK\$0.49 million).

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

For the six months ended 30 June 2022, the Group had not made any material acquisition or disposal of subsidiaries, associates or joint ventures.

### **INTERIM DIVIDEND**

The Directors did not recommend the payment of any interim dividend to the shareholders of the Company for the six months ended 30 June 2022.

### **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 2022, 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 (the "SFO"), Chapter 571 of the Laws of Hong Kong) 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 2022 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 2022, 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 share
Famous Ever Group Limited	558,000,000 ordinary Shares (beneficial owner)	558,000,000 ordinary Shares	44.70%
Tianjin Food Group Co. Ltd. (天津食品集團有限公司) ("Tianjin Food") (Note 1)	558,000,000 ordinary Shares (interest in a controlled corporation)	558,000,000 ordinary Shares	44.70%
Tsinlien Group Company Limited ("Tsinlien") (Note 2)	21,922 ordinary Shares (beneficial owner)	21,922 ordinary Shares	0.01%
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 TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("TEDA Industrial") (Note 2)	558,021,922 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("Tianjin TEDA") (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.S. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%



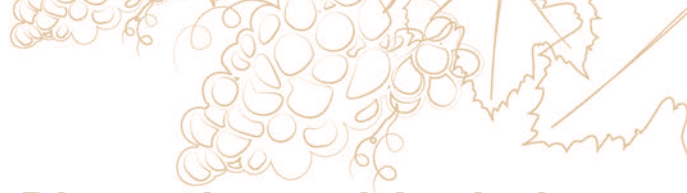
# Management Discussion and Analysis

## Notes:

- (1) Famous Ever Group Limited is a direct wholly-owned subsidiary of Tianjin Food. By virtue of the SFO, Tianjin Food is deemed to be interested in the same parcel of Shares in which Famous Ever Group Limited is interested.
- (2) Tianjin Food and Tsinlien are both wholly-owned subsidiaries of Bohai which is wholly-owned by TEDA Industrial, which in turn is wholly-owned by Tianjin TEDA. By virtue of the SFO, Tianjin TEDA, TEDA Industrial and Bohai are deemed to be interested in the same parcel of Shares in which Tianjin Food and Tsinlien are interested. Tianjin TEDA is ultimately wholly-owned by Tianjin Municipal People's Government of the PRC, which is the ultimate beneficial owner of Tianjin Food. Mr. Wan Shoupeng, an executive Director and chairman of the Company, is also a director and chairman of Tianjin Food. Mr. Li Guanghe, an executive Director and general manager of the Company, is also a director of Famous Ever Group Limited. Mr. Huang Manyou, an executive Director, is also a director of Liaoning Wang Chao Wunushan Icewine Company Limited (遼寧王朝五女山冰酒莊有限公司), being a subsidiary of Tianjin Food.
- (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 48% 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 73% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 18% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A.S. 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.S. is deemed to be interested in the Shares held by Remy Pacifique Limited. Mr. Heriard-Dubreuil Francois, a non-executive Director, who is also a director and/or an employee of Andromede S.A.S., Remy Cointreau S.A., Remy Concord Limited and Remy Pacifique Limited.

Apart from the aforesaid, as at 30 June 2022, 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.

As at 30 June 2022, save as disclosed above, none of the Directors was a director or employee of a company having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.



# Management Discussion and Analysis

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

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 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 2022.

## **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**

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors who together have substantial experience in the 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 2022.

By order of the Board  
**Dynasty Fine Wines Group Limited**  
**Wan Shoupeng**  
*Chairman*

Hong Kong, 26 August 2022

# ***Financial Section***

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# Condensed Consolidated Income Statement

For the six months ended 30 June 2022

	Notes	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers	5	101,113	179,632
Cost of sales of goods		(60,489)	(111,851)
<b>Gross profit</b>		<b>40,624</b>	67,781
Other income, other gains and losses – net		1,618	459
Distribution costs		(15,185)	(28,553)
Administrative expenses		(17,240)	(21,526)
<b>Operating profit</b>	6	<b>9,817</b>	18,161
Finance income		1,391	1,376
Finance costs		(30)	(156)
Finance income – net		1,361	1,220
<b>Profit before income tax</b>		<b>11,178</b>	19,381
Income tax expense	7	–	(7)
<b>Profit for the period</b>		<b>11,178</b>	19,374
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		10,702	19,485
Non-controlling interests		476	(111)
		<b>11,178</b>	19,374
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share attributable to owners of the Company for the period</b>			
– Basic and diluted earnings per share	9	0.9	1.6

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 2022

## Unaudited Six months ended 30 June

	2022 HK\$'000	2021 HK\$'000
<b>Profit for the period</b>	<b>11,178</b>	19,374
<b>Other comprehensive (expenses)/income:</b> <i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>(10,274)</b>	3,294
<b>Total comprehensive income for the period</b>	<b>904</b>	22,668
<b>Total comprehensive income/(expenses) for the period is attributable to:</b>		
– Owners of the Company	<b>1,239</b>	22,574
– Non-controlling interests	<b>(335)</b>	94
	<b>904</b>	22,668

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

# Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	As at	
		30 June 2022 Unaudited HK\$'000	31 December 2021 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	70,426	73,993
Right-of-use assets	11	17,799	19,826
Investment in an associate	12	–	–
Deferred income tax assets		–	–
<b>Total non-current assets</b>		<b>88,225</b>	93,819
<b>Current assets</b>			
Trade receivables	13	33,574	13,801
Notes receivable	14	3,496	8,581
Other receivables		5,384	5,637
Prepayments		22,319	29,126
Inventories		215,406	250,565
Cash and cash equivalents	15	162,192	196,808
<b>Total current assets</b>		<b>442,371</b>	504,518
<b>Total assets</b>		<b>530,596</b>	598,337
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		42	757
<b>Current liabilities</b>			
Trade payables	18	89,454	99,333
Contract liabilities		21,723	53,882
Other payables and accruals		159,264	184,524
Provisions for contingent liabilities		121	487
Lease liabilities		1,558	1,824
<b>Total current liabilities</b>		<b>272,120</b>	340,050
<b>Total liabilities</b>		<b>272,162</b>	340,807

# Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	As at	
		30 June 2022 Unaudited HK\$'000	31 December 2021 Audited HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	16	124,820	124,820
Other reserves	17	1,159,902	1,169,365
Accumulated losses		(1,044,088)	(1,054,790)
Capital and reserves attributable to owners of the Company		240,634	239,395
Non-controlling interests		17,800	18,135
<b>Total equity</b>		<b>258,434</b>	<b>257,530</b>
<b>Total equity and liabilities</b>		<b>530,596</b>	<b>598,337</b>

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 2022

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000 (Note 17)	Accumulated losses HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2021</b>	124,820	1,160,455	(1,087,601)	197,674	17,483	215,157
<b>Comprehensive income/(loss)</b>						
Profit/(loss) for the period	-	-	19,485	19,485	(111)	19,374
<b>Other comprehensive income</b>						
Currency translation differences	-	3,089	-	3,089	205	3,294
<b>Total comprehensive income</b>	-	3,089	19,485	22,574	94	22,668
<b>Balance at 30 June 2021</b>	124,820	1,163,544	(1,068,116)	220,248	17,577	237,825
<b>Balance at 1 January 2022</b>	124,820	1,169,365	(1,054,790)	239,395	18,135	257,530
<b>Comprehensive income</b>						
Profit for the period	-	-	10,702	10,702	476	11,178
<b>Other comprehensive expenses</b>						
Currency translation differences	-	(9,463)	-	(9,463)	(811)	(10,274)
<b>Total comprehensive income</b>	-	(9,463)	10,702	1,239	(335)	904
<b>Balance at 30 June 2022</b>	124,820	1,159,902	(1,044,088)	240,634	17,800	258,434

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 2022

## Unaudited Six months ended 30 June

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net cash generated (used in)/from:		
– operating activities	<b>(26,129)</b>	52,794
– investing activities	<b>(969)</b>	(873)
– financing activities	<b>(1,011)</b>	(1,389)
Net (decrease)/increase in cash and cash equivalents	<b>(28,109)</b>	50,532
Cash and cash equivalents at 1 January	<b>196,145</b>	182,129
Changes in exchange rate	<b>(6,478)</b>	4,300
Cash and cash equivalents at 30 June	<b>161,558</b>	236,961

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 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 26 August 2022. 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 2022 are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) issued by the HKICPA.

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 2021, except for the adoption of amendments to HKFRSs which effective for the financial year beginning on or after 1 January 2022.

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 Amended standards adopted by the Group

Except as described below, the accounting policies applied are consistent with those of the 2021 annual consolidated financial statements as described therein.

#### ***Amended standards adopted by the Group***

The Group has applied the following amended standards issued by HKICPA which were effective for the Group's financial year beginning on 1 January 2022:

<b>Standards</b>	<b>Subject</b>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

The amendments did not have a material impact on the Group's financial positions and performance for the current period and/or on the disclosures set out in these condensed consolidated financial statements 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 2021.

There have been no changes in any risk management policies.

# Notes to the Condensed Financial Information

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 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 2021.

## 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 2021.

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.

# Notes to the Condensed Financial Information

## 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 assess the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

	Unaudited			Total HK\$'000
	Red wines HK\$'000	White wines HK\$'000	Others HK\$'000	
<b>Six months ended 30 June 2022</b>				
<b>Revenue from contracts with customers</b>	<b>45,718</b>	<b>52,536</b>	<b>2,859</b>	<b>101,113</b>
<b>Gross profit</b>	<b>15,990</b>	<b>23,232</b>	<b>1,402</b>	<b>40,624</b>
<b>Unallocated items:</b>				
Depreciation of property, plant and equipment				(1,551)
Depreciation of right-of-use assets				(1,245)
Impairment allowance of inventories				(1,854)
<b>Six months ended 30 June 2021</b>				
<b>Revenue from contracts with customers</b>	104,483	73,231	1,918	179,632
<b>Gross profit</b>	41,134	25,691	956	67,781
<b>Unallocated items:</b>				
Depreciation of property, plant and equipment				(2,477)
Depreciation of right-of-use assets				(1,273)
Impairment allowance of inventories				(382)

# Notes to the Condensed Financial Information

## 5 SEGMENT INFORMATION (continued)

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
Gross profit for reportable segments	<b>40,624</b>	67,781
Other income, other gains and losses – net	<b>1,618</b>	459
Distribution costs	<b>(15,185)</b>	(28,553)
Administrative expenses	<b>(17,240)</b>	(21,526)
Operating profit	<b>9,817</b>	18,161
Finance income – net	<b>1,361</b>	1,220
Profit before income tax	<b>11,178</b>	19,381

- (a) The amounts of total assets and liabilities for each reportable segment are not regularly provided to the chief operating decision maker.
- (b) During the period, the following three (2021: Nil) external customer contributed more than 10% of the total revenue of the Group. These revenues were attributed to the red wine and white wine segments.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	
	<b>HK\$'000</b>	
Customer A	<b>16,487</b>	
Customer B	<b>15,693</b>	
Customer C	<b>14,891</b>	

- (c) The majority of sales of the Group were made within the PRC.

# Notes to the Condensed Financial Information

## 6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
Employee costs comprising:		
– salaries, other allowance and benefits	<b>21,105</b>	24,610
– contributions to retirement benefits scheme	<b>2,794</b>	2,580
Total employee costs including directors' emoluments	<b>23,899</b>	27,190
Depreciation of property, plant and equipment	<b>1,551</b>	2,477
Depreciation of right-of-use assets	<b>1,245</b>	1,273
Loss on disposal of property, plant and equipment	–	100
Impairment allowance of inventories	<b>1,854</b>	382
(Reversal of)/provision for impairment losses of financial assets	<b>(1,402)</b>	225

## 7 INCOME TAX EXPENSE

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
Current income tax:		
Corporate income tax	–	7
Deferred income tax	–	7
Income tax expense	–	7



# Notes to the Condensed Financial Information

## 7 INCOME TAX EXPENSE *(continued)*

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% (2021: 25%).

## 8 DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2022 (2021: Nil).

## 9 EARNINGS PER SHARE

The calculation of the basic earnings per Share is based on the profit attributable to the owners of the Company of HK\$10,702,000 (2021: HK\$19,485,000) and the weighted average number of 1,248,200,000 Shares in issue during the six months ended 30 June 2022 (2021: 1,248,200,000 Shares).

As the Group had no dilutive instruments during the six months ended 30 June 2022 and 2021, the Group's diluted earnings per Share equaled to its basic earnings per Share for the six months ended 30 June 2022 and 2021.

## 10 CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the six months ended 30 June 2022, the Group acquired plant and equipment amounting to approximately HK\$1.0 million (2021: HK\$0.9 million). There is no significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities for property, plant and equipment (31 December 2021: HK\$nil).

## 11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group did not recognise any addition of right-of-use assets (31 December 2021: assets recognised with a cost of HK\$577,000) and the depreciation of right-of-use assets recognised in unaudited condensed consolidated income statement was approximately HK\$1.2 million (2021: approximately HK\$1.3 million).

# Notes to the Condensed Financial Information

## 12 INVESTMENT IN AN ASSOCIATE

Set out below are details of the associate of the Group as at 30 June 2022 and 31 December 2021. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method	Quoted fair value* HK\$'000	Carrying amount HK\$'000
Dynasty Yuma Vineyard (Ningxia) Co. Ltd. ("Yuma")	PRC	25	Associate	Equity method	-	-

\* Private entity-no quoted price available.

As at 30 June 2022, the Group held a 25% (31 December 2021: 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 ordinary share 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 due to continuing losses of the associate. The associate becomes inactive without any production activities since October 2011.

# Notes to the Condensed Financial Information

## 13 TRADE RECEIVABLES

The Group granted a credit period of 90 days (31 December 2021: 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	<b>Unaudited 30 June 2022 HK\$'000</b>	Audited 31 December 2021 HK\$'000
Up to 90 days	<b>27,278</b>	1,035
More than 30 days past due	<b>159</b>	13,134
More than 90 days past due	<b>6,828</b>	321
More than 270 days past due	<b>18,964</b>	20,368
	<b>53,229</b>	34,858
Less: Bad debt provision	<b>(19,655)</b>	(21,057)
Trade receivables – net	<b>33,574</b>	13,801

The carrying amounts of the Group's trade receivables were principally denominated in RMB.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance decreased by HK\$1,402,000 to HK\$19,655,000 during the current reporting period.

# Notes to the Condensed Financial Information

## 14 NOTES RECEIVABLE

	<b>Unaudited 30 June 2022 HK\$'000</b>	Audited 31 December 2021 HK\$'000
Bank acceptance bill	<b>3,496</b>	8,581

As of 30 June 2022, notes receivable amounted to HK\$3,496,000 (31 December 2021: HK\$8,581,000) were bank acceptance notes with maturity date within 6 months, which were classified as financial assets at fair value through other comprehensive income.

## 15 CASH AND BANK

### (i) Restricted cash

The cash and cash equivalents included restricted cash of HK\$634,000 (31 December 2021: HK\$663,000) 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 in cash flow statement

	<b>Unaudited 30 June 2022 HK\$'000</b>	Audited 31 December 2021 HK\$'000
Cash at bank and in hand	<b>161,558</b>	196,145

Cash at bank were primarily deposited in the 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 SHARE CAPITAL

	Number of Shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>
As at 31 December 2021 (audited)	1,248,200	124,820
As at 30 June 2022 (unaudited)	1,248,200	124,820

## 17 OTHER RESERVES

	Unaudited					Total <i>HK\$'000</i>
	Share premium <i>HK\$'000</i> <i>(Note i)</i>	Merger reserve <i>HK\$'000</i> <i>(Note ii)</i>	Reserve fund <i>HK\$'000</i> <i>(Note iii)</i>	Enterprise expansion fund reserve <i>HK\$'000</i> <i>(Note iii)</i>	Exchange reserve <i>HK\$'000</i> <i>(Note iv)</i>	
As at 1 January 2021	464,464	74,519	158,928	94,434	368,110	1,160,455
Currency translation differences	-	-	-	-	3,089	3,089
As at 30 June 2021	464,464	74,519	158,928	94,434	371,199	1,163,544
As at 1 January 2022	464,464	74,519	158,928	94,434	377,020	1,169,365
Currency translation differences	-	-	-	-	(9,463)	(9,463)
As at 30 June 2022	464,464	74,519	158,928	94,434	367,557	1,159,902

# Notes to the Condensed Financial Information

## 17 OTHER RESERVES (continued)

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 2022 and 2021, there was no net profit for appropriation.

### (iv) EXCHANGE RESERVE

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

## 18 TRADE PAYABLES

The ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	<b>Unaudited 30 June 2022 HK\$'000</b>	Audited 31 December 2021 HK\$'000
0-30 days	16,194	22,000
31-90 days	437	6,886
91-180 days	1,048	820
Over 180 days	71,775	69,627
	<b>89,454</b>	<b>99,333</b>

# Notes to the Condensed Financial Information

## 19 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</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>(a) Key management compensation</b>		
Key management includes Directors (executive and non-executive), the company secretary and the senior management. The compensation paid or payable to key management for employee services is shown below:		
Short-term employee benefits	<b>2,324</b>	2,225
Long-term benefits	<b>167</b>	154
Total	<b>2,491</b>	2,379
<b>(b) Transaction with other related parties</b>		
(i) Sales of goods		
– Tianjin Food and its subsidiaries and associates	<b>533</b>	1,038
(ii) Purchases of goods and services:		
– Tianjin Food and its subsidiaries and associates	<b>130</b>	3,856

The prices of purchases of goods and services from related parties are determined based on normal commercial terms and conditions.

# Notes to the Condensed Financial Information

## 19 RELATED PARTY TRANSACTIONS (continued)

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
<b>(c) Outstanding balances arising from sales of goods</b>		
Current receivables from related parties		
– Tianjin Food and its subsidiaries and associates	103	510
<b>(d) Outstanding balances arising from purchases of goods and services</b>		
(i) Current payables to related parties		
– Tianjin Food and its subsidiaries and associates	21,111	18,488
– Tsinlien and its subsidiaries and associates	–	4,040
The payables to related parties bore no interest.		
(ii) Prepayment to related parties		
– Tianjin Food and its subsidiaries and associates	346	372
– Tsinlien and its subsidiaries and associates	–	69
<b>(e) Outstanding balances arising from transfer of debt</b>		
Current payables to related parties		
– Tianjin Food and its subsidiaries and associates	11,693	12,231

Relationship with the major related parties are as follow:

Related parties	Relationship
Tianjin Food	Major shareholder of the Company
Tsinlien	Fellow subsidiary of major shareholder of the Company