DYNASTY
Since 1980

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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00828)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by 27% to approximately HK$128.2 million (30 June 2022: HK$101.1 million).
- Profit attributable to equity holders of the Company remained at approximately HK$10.7 million (30 June 2022: HK$10.7 million).
- Basic earnings per share remained at HK0.9 cents (30 June 2022: HK0.9 cents).

The board (the "**Board**") of directors (the "**Directors**") of Dynasty Fine Wines Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period of 2022. The unaudited interim results for the first half year of 2023 have been reviewed by the audit committee of the Company (the "**Audit Committee**"). All Audit Committee members, including the chairman of the Audit Committee, are independent non-executive Directors.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue from contracts with customers	*5*	**128,168**	101,113
Cost of sales of goods		**(80,956)**	(60,489)
Gross profit		**47,212**	40,624
Other income, other gains and losses – net		**3,831**	1,618
Distribution costs		**(23,711)**	(15,185)
Administrative expenses		**(18,171)**	(17,240)
Operating profit	*6*	**9,161**	9,817
Finance income		**1,195**	1,391
Finance costs		**(50)**	(30)
Finance income – net		**1,145**	1,361
Profit before income tax		**10,306**	11,178
Income tax expense	*7*	**–**	–
Profit for the period		**10,306**	11,178
Profit/(loss) attributable to:			
Owners of the Company		**10,712**	10,702
Non-controlling interests		**(406)**	476
		10,306	11,178
Earnings per share attributable to owners of the Company for the period			
		HK cents	*HK cents*
– Basic and diluted earnings per share	*9*	**0.9**	0.9

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Profit for the period	**10,306**	11,178
Other comprehensive expenses:		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(9,143)**	(10,274)
Total comprehensive income for the period	**1,163**	904
Total comprehensive income/(expenses) for the period is attributable to:		
– Owners of the Company	**2,074**	1,239
– Non-controlling interests	**(911)**	(335)
	1,163	904

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June	31 December
		2023	2022
		Unaudited	Audited
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**63,485**	67,187
Right-of-use assets		**17,935**	16,193
Other receivables		**2,685**	1,938
Investment in an associate		**–**	–
Deferred income tax assets		**–**	–
Total non-current assets		**84,105**	85,318
Current assets			
Trade receivables	*10*	**44,579**	8,627
Notes receivable	*11*	**396**	11,820
Other receivables		**15,645**	7,892
Prepayments		**15,714**	12,356
Inventories		**201,213**	238,369
Cash and cash equivalents		**113,598**	161,210
Total current assets		**391,145**	440,274
Total assets		**475,250**	525,592

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 30 June 2023 Unaudited *HK$'000*	31 December 2022 Audited *HK$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,396**	126
Current liabilities			
Trade payables	*12*	**70,068**	84,494
Contract liabilities		**25,675**	27,066
Other payables and accruals		**130,507**	167,456
Lease liabilities		**855**	864
Total current liabilities		**227,105**	279,880
Total liabilities		**228,501**	280,006
EQUITY			
Equity attributable to owners of the Company			
Share capital		**124,820**	124,820
Other reserves		**1,134,818**	1,143,456
Accumulated losses		**(1,027,745)**	(1,038,457)
Capital and reserves attributable to owners of the Company		**231,893**	229,819
Non-controlling interests		**14,856**	15,767
Total equity		**246,749**	245,586
Total equity and liabilities		**475,250**	525,592

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, whilst the principal office is Room 4309, 43/F, China Resources Building, 26 Harbour 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 of Hong Kong Limited ("**Stock Exchange**").

The condensed consolidated interim financial information was approved for issue by the Board on 29 August 2023. 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 2023 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 2022, 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 2022, except for the adoption of amendments to HKFRSs which effective for the financial year beginning on or after 1 January 2023.

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.

2.2 Amended standards adopted by the Group

Except as described below, the accounting policies applied are consistent with those of 2022 annual consolidated financial statements as described therein.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards issued by HKICPA which were effective for the Group's financial year beginning on 1 January 2023:

Standards	**Subject**
HKFRS 17	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates

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.

(b) New standards and interpretations not yet adopted by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

Standards	**Subject**	**Effective for annual periods beginning on or after**
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations

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 2022.

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 2022.

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 2022.

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, icewine and liquor. The executive Directors assess the performance of the operating segments based on gross profit. All revenue of the Group are from external customers.

	Unaudited			
	Red wines	**White wines**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2023				
Revenue from contracts with customers	**61,667**	**61,979**	**4,522**	**128,168**
Gross profit	**18,943**	**27,779**	**490**	**47,212**
Unallocated items:				
Depreciation of property, plant and equipment				**(1,725)**
Depreciation of right-of-use assets				**(653)**
Six months ended 30 June 2022				
Revenue from contracts with customers	45,718	52,536	2,859	101,113
Gross profit	15,990	23,232	1,402	40,624
Unallocated items:				
Depreciation of property, plant and equipment				(1,551)
Depreciation of right-of-use assets				(1,245)
Impairment allowance of inventories				(1,854)

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

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Gross profit for reportable segments	**47,212**	40,624
Other income, other gains and losses – net	**3,831**	1,618
Distribution costs	**(23,711)**	(15,185)
Administrative expenses	**(18,171)**	(17,240)
Operating profit	**9,161**	9,817
Finance income – net	**1,145**	1,361
Profit before income tax	**10,306**	11,178

(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 one (2022: three) 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.

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Customer A	**13,638**	n/a
Customer B	**n/a**	16,487
Customer C	**n/a**	15,693
Customer D	**n/a**	14,891

(c) The majority of sales of the Group were made within the People's Republic of China (the "**PRC**").

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Employee costs comprising:		
– salaries, other allowance and benefits	**19,951**	21,105
– contributions to retirement benefits scheme	**2,688**	2,794
Total employee costs including directors' emoluments	**22,639**	23,899
Depreciation of property, plant and equipment	**1,725**	1,551
Depreciation of right-of-use assets	**653**	1,245
Impairment allowance of inventories	**–**	1,854
Net gain on disposal of property, plant and equipment	**(2,605)**	–
Reversal of impairment losses of financial assets	**(69)**	(1,402)

7 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current income tax:		
Corporate income tax	**–**	7
Deferred income tax	**–**	–
Income tax expense	**–**	7

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% (2022: 25%).

8 DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2023 (2022: Nil).

9 EARNINGS PER SHARE

The calculation of the basic earnings per share of the Company (the "**Share**") is based on the profit attributable to the owners of the Company of HK$10,712,000 (2022: HK$10,702,000) and the weighted average number of 1,248,200,000 Shares in issue during the six months ended 30 June 2023 (2022: 1,248,200,000 Shares).

As the Group has no dilutive instruments during the six months ended 30 June 2023 and 2022, the Group's diluted earnings per Share equal to its basic earnings per Share for the six months ended 30 June 2023 and 2022.

10 TRADE RECEIVABLES

The Group granted a credit period of 90 days (31 December 2022: 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
	HK$'000	*HK$'000*
Up to 90 days	**37,955**	8,503
More than 30 days past due	**1,337**	346
More than 90 days past due	**5,949**	203
More than 270 days past due	**12,245**	12,551
	57,486	21,603
Less: Bad debt provision	**(12,907)**	(12,976)
Trade receivables – net	**44,579**	8,627

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.

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$69,000 to HK$12,907,000 during the current reporting period.

11 NOTES RECEIVABLE

	Unaudited 30 June 2023 ***HK$'000***	Audited 31 December 2022 *HK$'000*
Bank acceptance bill	**396**	11,820

As of 30 June 2023, notes receivable amounted to HK$396,000 (31 December 2022: HK$11,820,000) were bank acceptance notes with maturity date within 6 months, which were classified as financial assets at fair value through other comprehensive income.

12 TRADE PAYABLES

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

	Unaudited 30 June 2023 ***HK$'000***	Audited 31 December 2022 *HK$'000*
0–30 days	**11,184**	29,126
31–90 days	**118**	966
91–180 days	**1,030**	1,906
Over 180 days	**57,736**	52,496
	70,068	84,494

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's revenue for the six months ended 30 June 2023 increased by 27% to HK$128.2 million (2022: HK$101.1 million) and the Group's profit attributable to the owners of the Company remained at HK$10.7 million (2022: HK$10.7 million).

Earnings per Share for the six months ended 30 June 2023 was HK0.9 cents per Share (2022: HK0.9 cents per Share) based on the weighted average number of 1,248 million Shares (2022: 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the period ended 30 June 2023.

The profit attributable to the owners of the Company in the first half of 2023 remained stable as compared to 2022. The increase in revenue was primarily due to the recovery of sales, especially in the medium end wine products, resulting from the normalisation of consumption scenes and resumption of consumer sentiment in the People's Republic of China (the "**PRC**") after the dismantlement of pandemic control measures at the end of last year.

Shareholders and investors should note that the financial information given in this interim results announcement has not been audited.

Financial review

Income Statement

Revenue

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2023, total revenue of the Group increased by 27% to approximately HK$128.2 million from approximately HK$101.1 million in the corresponding period in 2022. The growth in revenue was mainly contributed by the recovery increase in sales volume of products, especially in the middle end wine products. The total number of bottles of wine sold increased to approximately 5.0 million (2022: approximately 3.9 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 increase.

Benefited from resumption of consumption scenario such as banquets and gatherings nationwide, sales of red wine products grew well over the period, reaching sales level of white wine products. Both products served as the Group's revenue contributors and each also accounted for the same percentage of approximately 48% of the Group's revenue for the period under review (2022: red and white wines: approximately 45% and 52%).

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	
	2023	2022
	%	%
Cost of raw materials		
– Grapes and grape juice	**48**	46
– Yeast and additives	**2**	2
– Packaging materials	**21**	20
– Others	**2**	2
Total cost of raw materials	**73**	70
Manufacturing overheads	**18**	18
Consumption tax and other taxes	**9**	12
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 the cost of sales and accounted for approximately 48% of the Group's total cost of sales, and increased during the period as compared with approximately 46% in 2022 mainly due to purchase price rise of grapes and grape juice.

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 the production process. During the period under review, manufacturing overheads as a percentage of cost of sales kept stable as compared with 2022.

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 37% for the six months ended 30 June 2023 from 40% for the corresponding period in 2022, mainly due to increase in material costs and delivery charge during the period.

During the period under review, the gross profit margin of red wine products and white wine products were 31% and 45% respectively (2022: 35% and 44% respectively).

Other income, other gains and losses – net

Other income, other gains and losses were mainly comprised of gain on disposal of obsolete products and staff quarter, and government subsidies related to enterprise development.

Other income, other gains and losses for the six months ended 30 June 2023 represented a net gain of approximately HK$3.8 million (2022: approximately HK$1.6 million). The increase in the income was mainly due to a one-off net gain on disposal of a staff quarter of approximately HK$2.6 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 18% (2022: 15%) of the Group's revenue. The distribution costs to revenue ratio increased because of an increase in promotion and advertising expenses, especially for e-commerce business, compared with the corresponding period last year. 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, e-channels and 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 14% (2022: 17%). The decrease in ratio was mainly attributable to a stable administrative expenses under effective cost control in light of the increase in revenue during the period.

Finance income – net

During the period under review, there was a decrease in finance income – net, which was mainly due to a reduced interest income compared with the corresponding period in 2022.

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%.

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 2023, 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 2023, the increase in revenue was primarily due to the recovery of sales, especially in the medium end wine products, resulting from the normalisation of consumption scenes and resumption of consumer sentiment in the PRC after the dismantlement of pandemic control measures at the end of last year.

During the period under review, the Group continued to implement a sales and marketing reform, as well as product and channel strategies. Following the resumption of consumption activities, the Group pressed ahead with its mass-scale marketing campaign showcasing 40,000 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, new products launch ceremonies, during which the Group actively promoted its latest product mix that covered all product lines, and received enthusiastic market response. The business and sales of the Group had a gradual recovery in the period and achieved a solid growth, especially in the second quarter of the year .

The Group has been actively pursuing innovation, embracing the "5+4+N" product strategy, with "N" standing for developing various customised products and continuously creating new products to meet the diverse needs of different Chinese consumer groups. During the period under review, the Group continued launching new products and carrying out product upgrade, that can better suit different palates, and can cater for consumers with different spending power. This was done with an aim to invigorate the brand, 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 Gui Mao Year of Rabbit, integrating the high quality with the Chinese zodiac culture and the leading rise of Chinese-style fashionable products. The Group also launched new products, including the NIANHUA series and, via an improved business model, is safeguarding channel profit while also meeting consumers' demand for fine wines. In addition, the Group has, heeding market and consumer demands, upgraded Golden Dynasty products and adopted new strategies to improve its existing product system.

The new NIANHUA series agrees with Dynasty's direction of developing grape wines. The 100, 200, 300 and 500 in the names are indicative of the price range. Grape wine products priced between RMB100 and RMB500 are the most popular among middle-class wine lovers and those who are looking to upgrade. The series can thus better satisfy the needs of customer groups with different spending habits.

Dynasty has made improvement to its 5+4+N product system, aiming to create exclusive blockbuster products. During the period, the Group unveiled the new and upgraded Golden Dynasty series and new strategic plans at this period's Spring Food & Drinks Fair held in Chengdu. With leading and well-proven technologies it prides, the Group carried out comprehensive upgrade of its production techniques, packaging design, etc. With China chic on the rise, the new upgraded design is set to resonate with Chinese consumers confident of their culture, help strengthen awareness of the Dynasty brand and attract mainstream consumers fancying China-made products and China chic.

Moreover, the Group sold chateau wine imported from France and other foreign branded wines in the PRC market through the Group's existing distribution network to introduce some classic "old world" and "new world" varietals to cater for part of the market that prefers the taste of foreign premium wines.

The Group will continue to provide products of quality that consumers can trust, that are healthy and complemented with high-end services, to help it achieve high-quality development in leaps and bounds.

B. *E-commerce sales*

The e-commerce team of the Group comprehensively operated online stores itself 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 East Buy (東方甄選 app), RED (小紅書 app), Kuai (快手 app) and TikTok (抖音 app) 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 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, the Group actively promoted the exclusive product series for e-commerce platforms via e-commerce channels such as live broadcasting and, on top of presence on mainstream e-commerce platforms, efforts have been made to explore new retail channels using such supplementary promotional means as live streaming or videos. The e-commerce sales grew significantly over the period, sales of which has reached the same level of the whole year 2022. 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 technical know-how and new product development capabilities. The new premises at the National-level Technology Centre further promote the Group's research and development of new products as well as new winemaking techniques.

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 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 subsidiaries set up 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.

During the period, the Group sourced and plan to increase the direct sourcing of quality grapes harvested from Ningxia and Xinjiang regions, in addition to Tianjin region, and processing of grape juices locally in accordance with the guidance and advices provided by the Group in the process of pressing which can also better ensure that the quality and freshness of grape juice (including unprocessed wines) meets the Group's standard.

Production capacity

As at the end of June 2023, the Group's annual production capacity maintained at 50,000 tonnes (31 December 2022: 50,000 tonnes). Such capacity is sufficient for the Group to prompt respond to the market demand and provides a platform for sustainable earnings growth.

Issue of shares under general mandate

On 21 June 2023, the Company entered into subscription agreements with each of the following subscribers:

(a) National Tide Era Holding Limited, which is wholly-owned by Tianjin Wangchao Business Management Co., Ltd.* (天津王潮商業管理有限公司), which in turn is owned by Shengshi Jiuyuan (Shenzhen) Import and Export Co., Ltd.* (盛世酒源(深圳)進出口有限公司) and Shenzhen Zhenpinhui Trading Co., Ltd.* (深圳珍品薈貿易有限公司) as to 99% and 1% respectively. Shengshi Jiuyuan (Shenzhen) Import and Export Co., Ltd.* is directly owned by Wang Wentao, Liu Bin, and Wang Yanzheng as to 99%, 0.99%, and 0.01% respectively;

(b) Ekim Limited, which is indirectly wholly-owned by Li Hui; and

(c) Zengli Investment Group Co. LTD, which is indirectly owned by Li Junjie and Hao Mingzhen as to 51.2195% and 48.7805% respectively.

Pursuant to the above subscription agreements, the subscribers had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue an aggregate of 160,205,886 ordinary shares of the Company at the subscription price of HK$0.2475 per share for an aggregate consideration of approximately HK$39,650,957 (the "**Subscriptions**"). Such subscription shares would have an aggregate nominal value of approximately HK$16,020,589. The net subscription price per share would be approximately HK$0.2363 per subscription share. The subscription price of HK$0.2475 per subscription share represents a discount of approximately 10% to the closing price of HK$0.275 per share as quote on the Stock Exchange on 21 June 2023, being the date of the subscription agreements. The gross proceeds from the Subscriptions would be approximately HK$39.7 million and the net proceeds from the Subscriptions, after deduction of the placing agent fee and other related expenses of the Subscriptions, would be approximately HK$37.9 million. The Company intended to use 50% of the proceeds (approximately HK$18.9 million) to develop a new winery in Ningxia Hui Autonomous Region, the PRC and 50% of the proceeds (approximately HK$18.9 million) for promotion and marketing at the core markets of the Company and other general corporate purposes. The Subscriptions will benefit the Group's long-term development by providing a good opportunity to raise additional funds to strengthen the financial position and to broaden the Company's shareholder base and capital base to expand distribution scale and facilitate the future growth and high-quality development of its business.

Events after the Period End

In mid-July 2023, the Group acquired the land use right of approximately 53,000 square meters located in the Pigeon Hill Wine Cultural Tourism Town in Qingtongxia City, Wuzhong City, Ningxia Hui Autonomous Region,at a price of approximately RMB5.7 million (equivalent to approximately HK$6.2 million), which was funded by internal resources. Eastern foothill of Helan mountain (Qingtongxia City, Ningxia) is one of the key quality grape producing areas in the PRC. The acquisition of the land use right is part of the development plan of a new winery in Ningxia of the Group.

On 31 July 2023, the Group completed the Subscriptions and issued 160,205,886 shares. The gross proceeds amounted to approximately HK$39.7 million and the net proceeds, after deduction of the placing agent fee and other related expenses of the Subscriptions, amounted to HK$37.9 million. As set out above, the Company intends to use 50% of the proceeds (approximately HK$18.9 million) to develop a new winery in Ningxia Hui Autonomous Region, the PRC and 50% of the proceeds (approximately HK$18.9 million) for promotion and marketing at the core markets of the Company and other general corporate purposes.

After the completion of the Subscriptions, National Tide Era Holding Limited, Ekim Limited and Zengli Investment Group Co. LTD. are interested in 31,496,161, 13,314,781 and 115,394,944 shares, representing approximately 2.24%, 0.94% and 8.19% of the issued share capital of the Company respectively.

Save as disclosed above, no significant events had taken place after the six months ended 30 June 2023 to the date of this announcement.

Prospects and future plans

Looking ahead to the second half of 2023, 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 kick off the development of the first phase of a winery nearby Eastern foot of Helan Mountain in Ningxia, named TingXia Winery, in the second half of the year. The winery will integrate pressing, fermentation, processing, testing and research and development as a whole, with an annual production and processing capacity of 5,000 tonnes. The project will be funded by the Group's internal resources and proceeds from placing of new shares issued in July 2023. The winery would become a new long-term and stable economic growth point of the Group and help the regional presence and layout of Dynasty wines, as well as in line with the overall planning and industry planning for the development of China's wine industry.

The Board currently remains cautiously optimistic on the business in the second half of 2023 and the Group will continue to be well prepared to proactively develop the market, improve quality and boost sales volume, under the trend of support for the domestic consumption by the country.

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 programmes 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 had a work force of 244 (including the board (the "**Board**") of directors (the "**Directors**")) (30 June 2022: 243) in Hong Kong and the PRC as at 30 June 2023. The total salaries and related costs (including the Directors' fees) for the six months ended 30 June 2023 amounted to approximately HK$22.6 million (2022: HK$23.9 million). During the period under review, the staff costs decreased mainly as a result of the decrease in director's 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 2023, the Group's cash and cash equivalents, and short-term deposits amounted to HK$113.1 million (31 December 2022: HK$160.7 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$113.1 million (31 December 2022: HK$160.7 million) as at 30 June 2023, 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.

The Group also monitored capital on the basis of the liability-to-asset ratio. As at 30 June 2023, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 48% (31 December 2022: 53%). The Group's gearing ratio decreased and maintained at a sound level.

The market capitalisation of the Company as at 30 June 2023 was approximately HK$299.6 million (31 December 2022: approximately HK$436.9 million).

Capital commitments, contingencies and charges on assets

As at 30 June 2023, there was capital expenditure contracted but not recognised as liabilities for property, plant and equipment of HK$3.1 million (31 December 2022: HK$ nil) and there was no charge on assets.

The Group had no contingent liabilities as at 30 June 2023 (31 December 2022: HK$ nil) .

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the six months ended 30 June 2023, 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 2023.

Change in directorship

Mr. Li Guanghe tendered his resignation as a director and general manager of the Company with effect from 17 March 2023 in order to focus on his other business engagements. He had confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the holders of securities of the Company. Mr. He Chongfu was appointed as executive Director and general manager with effect from 17 March 2023.

Purchase, sale or redemption of Shares

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 standard set out in the Model Code regarding Directors' securities transactions throughout the six months ended 30 June 2023.

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 (the "**Code**") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2023. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

Publication of interim results and interim report on the websites of the Company and of the Stock Exchange

The interim results announcement is published on the websites of the Company (www.dynasty-wines.com) and the Stock Exchange.

The interim report of the Company for the six months ended 30 June 2023, which contains all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Company (www.dynasty-wines.com) and the Stock Exchange in due course. Further announcement will be made by the Company as and when appropriate.

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

Tianjin, 29 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wan Shoupeng, Mr. He Chongfu and Mr. Huang Manyou, three non-executive Directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Wong Ching Chung and Mr. Robert Luc, and three independent non-executive Directors, namely, Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee.