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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 2024

FINANCIAL HIGHLIGHTS

- Revenue grew by 6% to approximately HK\$135.3 million (30 June 2023: HK\$128.2 million).
- Profit attributable to owners of the Company increased by 73% to approximately HK\$18.5 million (30 June 2023: HK\$10.7 million).
- Basic earnings per share increased to approximately HK1.3 cents (30 June 2023: 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 2024 together with the comparative figures for the corresponding period of 2023. The unaudited interim results for the first half year of 2024 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	
		2024	2023
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue from contracts with customers	5	135,347	128,168
Cost of sales of goods		<u>(86,580)</u>	<u>(80,956)</u>
Gross profit		48,767	47,212
Other income, other gains and losses – net		8,273	3,831
Net (impairment losses)/impairment reversal on financial assets		(4,247)	69
Distribution costs		(21,442)	(23,711)
Administrative expenses		<u>(14,307)</u>	<u>(18,240)</u>
Operating profit	6	<u>17,044</u>	<u>9,161</u>
Finance income		934	1,195
Finance costs		<u>–</u>	<u>(50)</u>
Finance income – net		<u>934</u>	<u>1,145</u>
Profit before income tax		17,978	10,306
Income tax expense	7	<u>–</u>	<u>–</u>
Profit for the period		<u>17,978</u>	<u>10,306</u>
Profit/(loss) attributable to:			
Owners of the Company		18,510	10,712
Non-controlling interests		<u>(532)</u>	<u>(406)</u>
		<u>17,978</u>	<u>10,306</u>
Earnings per share attributable to owners of the Company for the period		HK cents	HK cents
– Basic and diluted earnings per share	9	<u>1.3</u>	<u>0.9</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Profit for the period	17,978	10,306
Other comprehensive expenses:		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(2,619)</u>	<u>(9,143)</u>
Total comprehensive income for the period	<u>15,359</u>	<u>1,163</u>
Total comprehensive income/(expenses) for the period is attributable to:		
– Owners of the Company	16,134	2,074
– Non-controlling interests	<u>(775)</u>	<u>(911)</u>
	<u>15,359</u>	<u>1,163</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June	31 December
		2024	2023
		Unaudited	Audited
Notes		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
	Property, plant and equipment	98,925	71,320
	Right-of-use assets	22,488	23,465
	Other receivables	958	823
	Prepayments	20	6,646
	Investment in an associate	–	–
	Deferred income tax assets	–	–
		<hr/>	<hr/>
	Total non-current assets	122,391	102,254
		<hr/>	<hr/>
Current assets			
	Trade receivables	49,471	22,644
	Notes receivable	16,511	34,735
	Other receivables	11,164	7,865
	Prepayments	9,924	8,903
	Inventories	202,042	235,746
	Cash and cash equivalents	119,235	166,741
		<hr/>	<hr/>
	Total current assets	408,347	476,634
		<hr/>	<hr/>
	Total assets	530,738	578,888
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at	
		30 June	31 December
		2024	2023
		Unaudited	Audited
	Note	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>702</u>	<u>1,187</u>
Current liabilities			
Trade payables	12	61,489	115,478
Contract liabilities		24,995	36,314
Other payables and accruals		127,201	124,876
Lease liabilities		<u>1,074</u>	<u>1,115</u>
Total current liabilities		<u>214,759</u>	<u>277,783</u>
Total liabilities		<u>215,461</u>	<u>278,970</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		140,840	140,840
Other reserves		1,159,023	1,161,399
Accumulated losses		<u>(998,609)</u>	<u>(1,017,119)</u>
Capital and reserves attributable to owners of the Company		301,254	285,120
Non-controlling interests		<u>14,023</u>	<u>14,798</u>
Total equity		<u>315,277</u>	<u>299,918</u>
Total equity and liabilities		<u><u>530,738</u></u>	<u><u>578,888</u></u>

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 28 August 2024. 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 2024 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 D2 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 2023, 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 2023, except for the adoption of amendments to HKFRSs which effective for the financial year beginning on or after 1 January 2024.

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 2023 annual consolidated financial statements as described therein.

(a) 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 2024:

Standards	Subject
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current liabilities with covenants
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKFRS 16 (Amendments)	Lease liability in a sale and leaseback
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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 2024 and have not been early adopted by the Group:

Standards	Subject	Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the classification and measurement of financial instruments	1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
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 2023.

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 2023.

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 2023.

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 baijiu. 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 2024				
Revenue from contracts with customers	<u>60,265</u>	<u>69,099</u>	<u>5,983</u>	<u>135,347</u>
Gross profit	<u>20,160</u>	<u>28,409</u>	<u>198</u>	<u>48,767</u>
Unallocated items:				
Depreciation of property, plant and equipment				(2,006)
Depreciation of right-of-use assets				(974)
Net impairment losses on financial assets				<u>(4,247)</u>
Six months ended 30 June 2023				
Revenue from contracts with customers	<u>61,667</u>	<u>61,979</u>	<u>4,522</u>	<u>128,168</u>
Gross profit	<u>18,943</u>	<u>27,779</u>	<u>490</u>	<u>47,212</u>
Unallocated items:				
Depreciation of property, plant and equipment				(1,725)
Depreciation of right-of-use assets				(653)
Net impairment reversal on financial assets				<u>69</u>

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Gross profit for reportable segments	48,767	47,212
Other income, other gains and losses – net	8,273	3,831
Net (impairment losses)/impairment reversal on financial assets	(4,247)	69
Distribution costs	(21,442)	(23,711)
Administrative expenses	(14,307)	(18,240)
	<u>17,044</u>	<u>9,161</u>
Operating profit	17,044	9,161
Finance income – net	934	1,145
	<u>17,978</u>	<u>10,306</u>
Profit before income tax	<u>17,978</u>	<u>10,306</u>

- (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 (2023: one) 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	
	2024	2023
	HK\$'000	HK\$'000
Customer A	22,572	13,638

- (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	
	2024	2023
	HK\$'000	HK\$'000
Employee costs comprising:		
– salaries, other allowance and benefits	20,552	19,951
– contributions to retirement benefits scheme	2,701	2,688
	<u>23,253</u>	<u>22,639</u>
Total employee costs including directors' emoluments	23,253	22,639
Depreciation of property, plant and equipment	2,006	1,725
Depreciation of right-of-use assets	974	653
Government grants	(6,675)	(195)
Net gain on disposal of property, plant and equipment	(545)	(2,605)
Net impairment losses/(impairment reversal) on financial assets	4,247	(69)
	<u>4,247</u>	<u>(69)</u>

7 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax:		
Corporate income tax	-	-
Deferred income tax	-	-
Income tax expense	<u>-</u>	<u>-</u>

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% (2023: 25%).

8 DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2024 (2023: 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\$18,510,000 (2023: HK\$10,712,000) and the weighted average number of 1,408,406,000 Shares in issue during the six months ended 30 June 2024 (2023: 1,248,200,000 Shares).

As the Group has no dilutive instruments during the six months ended 30 June 2024 and 2023, the Group's diluted earnings per Share equal to its basic earnings per Share for the six months ended 30 June 2024 and 2023.

10 TRADE RECEIVABLES

The Group granted a credit period of 90 days (31 December 2023: 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	Unaudited	Audited
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Up to 90 days	37,851	22,323
More than 30 days past due	10,160	302
More than 90 days past due	6,021	299
More than 270 days past due	12,199	12,233
	<u>66,231</u>	<u>35,157</u>
Less: Loss allowance	<u>(16,760)</u>	<u>(12,513)</u>
Trade receivables – net	<u>49,471</u>	<u>22,644</u>

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 increased by HK\$4,247,000 to HK\$16,760,000 during the current reporting period.

11 NOTES RECEIVABLE

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 <i>HK\$'000</i>
Bank acceptance bill	<u>16,511</u>	<u>34,735</u>

As of 30 June 2024, notes receivable amounted to HK\$16,511,000 (31 December 2023: HK\$34,735,000) 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 2024 HK\$'000	Audited 31 December 2023 <i>HK\$'000</i>
0–30 days	19,969	69,138
31–90 days	3,430	7,178
91–180 days	56	986
Over 180 days	<u>38,034</u>	<u>38,176</u>
	<u>61,489</u>	<u>115,478</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's revenue for the six months ended 30 June 2024 increased by 6% to approximately HK\$135.3 million (2023: HK\$128.2 million) and the Group's profit attributable to the owners of the Company grew by 73% to HK\$18.5 million (2023: HK\$10.7 million).

Earnings per share of the Company (the "Share") for the six months ended 30 June 2024 was approximately HK1.3 cents per Share (2023: approximately HK0.9 cents per Share) based on the weighted average number of approximately 1,408 million Shares (2023: approximately 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the six months ended 30 June 2024.

The profit attributable to the owners of the Company in the first half of 2024 significantly increased by 73% as compared to the same period in 2023. The increase in profit was primarily due to i) operating profit growth benefited from a moderate increase in sales revenue, as well as continuous innovation in product and consumption scenarios of the Group in the People's Republic of China (the "PRC"); and ii) increase in government grants of approximately HK\$6.5 million received by the Group during the period ended 30 June 2024. Excluding the non-recurring government grants and net gain on disposal of properties, plants and equipment, the Company also recorded an increase in profit by approximately 43% during the period.

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 is mainly generated from sale of wine products. For the six months ended 30 June 2024, total revenue of the Group mildly increased by 6% to approximately HK\$135.3 million from approximately HK\$128.2 million in the corresponding period in 2023. The growth in revenue was mainly contributed by the steady increase in sales volume of products, especially middle-end wine products. The total number of bottles of wine sold increased to approximately 5.2 million (2023: approximately 5.0 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.

Benefited from new consumption scenario such as banquets and gatherings nationwide, sales of white wines products grew well over the period and served as the Group's primary revenue contributor. Sale of red and white wine products accounted for approximately 45% and 51% respectively for the period under review (2023: red and white wines: both approximately 48%).

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:

	Unaudited For the six months ended 30 June	
	2024	2023
	%	%
Cost of raw materials		
– Grapes and grape juice	47	48
– Yeast and additives	2	2
– Packaging materials	21	21
– Others	1	2
	<hr/>	<hr/>
Total cost of raw materials	71	73
Manufacturing overheads	20	18
Consumption tax and other taxes	9	9
	<hr/>	<hr/>
Total cost of sales	<u>100</u>	<u>100</u>

The principal raw materials required by the Group in producing wine products are grapes and 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 47% of the Group's total cost of sales, remained stable when compared with approximately 48% in the corresponding period in 2023.

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 increased when comparing with approximately 18% in the corresponding period in 2023 mainly due to increase in delivery charge and supplies cost.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross sales. The overall gross profit margin mildly decreased to 36% for the six months ended 30 June 2024 from 37% for the corresponding period in 2023, mainly due to increase in overall material costs during the period.

During the period under review, the gross profit margin of red wine products and white wine products were 33% and 41% respectively (2023: 31% and 45% 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 grant or subsidies related to enterprise development.

Other income, other gains and losses for the six months ended 30 June 2024 represented a net gain of approximately HK\$8.3 million (2023: net gain of approximately HK\$3.8 million). The increase in the income was mainly due to government grants related to support for industry and enterprise development amounting to approximately HK\$6.6 million received during the period under review, while there was a one-off net gain on disposal of a staff quarter of approximately HK\$2.6 million in the corresponding period in 2023.

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 16% (2023: 18%) of the Group's revenue. The distribution costs to revenue ratio slightly decreased because of reduction in promotion and advertising expenses, especially for e-commerce business adjustment 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 11% (2023: 14%). The decrease in ratio was mainly attributable to a drop in administrative expenses under effective cost control in light of the increase in revenue during the period.

Finance income – net

During the period under review, finance income – net of approximately HK\$0.9 million (2023: approximately HK\$1.1 million) decreased mainly due to a drop in interest income compared with the corresponding period in 2023.

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 2024, 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 2024, the moderate increase in revenue was primarily due to the improvement of sales benefited from the gradual economic recovery and continuous innovation in product and consumption scenarios of the Group.

During the period under review, the Group continued to implement a sales and marketing reform, as well as product and channel strategies. The Group pressed ahead with its mass-scale marketing campaign showcasing 65,000 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 national tour tasting and business events, new products launch ceremonies and as well as promotion event returning to Hong Kong 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 continued a mild recovery in the overall period but achieved a better performance, 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. That 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 Jia Chen Year of Dragon, integrating the high quality with the Chinese zodiac culture and the leading rise of Chinese-style fashionable products.

Based on its existing high-quality products, the Group continues to introduce new products and promote product upgrades. It launched a new product, Inherit Series “Passing on the Glory, Continuing the Brilliant Heritage”, at the 110th China Food & Drinks Fair in March this year, as well as other new products launched in the period such as Long Yun Series, Cabernet Reserve etc., to further improve its product matrix and provide consumers with diverse consumption choices. 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.

In addition to enriching the product matrix, the Group is accelerating the innovation of consumption scenarios and enhancing and strengthening the wine cultural experience. In June this year, Dynasty Starry Wine Bar was officially opened in Meijiang, Tianjin, the base of Dynasty. Starry Wine Bar is a pop-up offline bar meticulously designed by Dynasty to innovate the product experience, meet the diversified needs of consumers, and create new consumption scenarios in the country. It is committed to making consumers feel the warmth of the brand and recognise the value of the brand, thereby attracting more consumers through innovation.

During the period under review, the Group continued to develop the “Dynasty Tavern” through online channels, creating a series of product promotion articles on the WeChat official account of Dynasty Wines, and promoting Dynasty’s major mainstream products using new media formats. In addition, it integrated the night market environment to expand various wine drinking scenarios and promote Dynasty’s younger products.

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.

Through innovation in product and consumption scenarios, the Group continues to enhance its product and brand influence.

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 interest-based e-commerce platforms, including 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 investing resources for improvement of the online sales channels and optimisation of online stores interface so as to adapt to the changing customer consumption behaviour in the PRC. During the period under review, the Group kept promoting the exclusive products series for e-commerce platforms through channels such as live streaming or broadcasting, in addition to mere presence on mainstream traditional e-commerce platforms which kept growing, efforts have been made by the Group to consolidate the existing channels and improve their effectiveness as well as profit. Thus, the e-commerce sales consolidated with a certain decrease during the period, but a prominent improvement has been made with an overall mild profit when compared with last period. The Group believes that the online platforms not only serve 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.

Awards

During the period under review, the Group had boasted brilliant results in major wine appraisal competitions. Among the numerous awards, "Dynasty Jin. Y Brandy XO barrel-aged 18 years" has won the Gold Award, its first Gold at the 2024 International Wine & Spirit Competition ("IWSC"). The competition is considered the international standard for wine and spirits quality and is known as the "Olympics of the wine world". "Dynasty Jin. Y Brandy VSOP barrel-aged 8 years" has also won the Gold Award at the France International Spirits Awards (FISA) China region, Spring 2024. These brandies stood out from other entries for their elegant aroma, smooth body and round taste, and won the awards at the competitions, showing the charm and strengths of Chinese brandy to the world. In addition, the Group's "Golden Dynasty Dry Red Wine" won the Bronze Award at this year's IWSC for its excellent quality. "Golden Dynasty Dry White Wine" has also won the Silver Award at the France International Wine Awards (FIWA) China region, Spring 2024. "Dynasty 5° Sparkling Wine" has been awarded the Silver Medal in "The Global Sparkling Masters 2024", organised by "The Drinks Business".

Research and Technology

The Group is committed to maintaining a high standard of research and technology which is 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 continuously identifies new suppliers that comply with the quality requirements, and the Group conducts thorough tests on their grape juices before orders are placed. These procedures ensure the Group to procure quality grapes and grape juice supplies and also minimise the effect of bad harvests interrupting production.

During the period under review, in addition to Tianjin region, the Group sourced and planned to increase the direct sourcing of quality grapes harvested from Ningxia and Xinjiang regions, it also intended to increase processing of grape juices locally in accordance with the guidance and advices provided by the Group in the process of grape harvesting and pressing. This process 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 2024, the Group's annual production capacity maintained at 50,000 tonnes (31 December 2023: 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.

Events after the Period End

No significant events had taken place after the six months ended 30 June 2024 to the date of this announcement.

Prospects and future plans

The Group constantly diversifies its wine products to meet different needs and preferences of various consumer groups. Looking ahead to the second half of 2024, the Group will continue to focus on market and consumer demand and promote product quality through technological innovation. At the same time, the Group will continue to innovate marketing strategies to stimulate brand vitality, further expand the market share of Dynasty's products, strengthen Dynasty's brand image as a representative of domestic wines, and set a benchmark for the Chinese wine industry, with the aim of bringing Dynasty's superior wines to more consumers in the PRC.

As one of key players in the domestic wine market in the PRC, the Group will keep strengthening its presence in Ningxia and Xinjiang to secure the supply of quality grapes and grape juice. The Group will complete the development of the first phase of Tianxia Winery, located in the Pigeon Hill Wine Cultural Tourism Town in Qingtongxia City, Ningxia, in the third quarter of the year. This winery is situated nearby Eastern foothill of Helan mountain, Ningxia, which is one of the key quality grape producing areas in the PRC. It will integrate pressing, fermentation, processing, testing and research and development as a whole, with an annual production and processing capacity of 5,000 tonnes. This winery will 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 aligning with the overall planning and industry planning for the development of China's wine industry.

For the e-commerce business, in the second half of 2024, the Group will continue to make adjustments oriented toward the profitability on its interest-based e-commerce coverage. On the basis of achieving profitability, the Company will increase investment in a timely manner, expand its online business market share, and increase its overall revenue scale.

The Board currently remains cautious on the business outlook in the second half of 2024. The Group will continue to proactively develop new marketing prospects through innovation in products categories and consumption scenarios, and cross-industry co-operations in order to boost sales volume, which is line with the country's effort to promote domestic consumption.

In addition to our commitment to wine business in the PRC, the Group will also explore the potential opportunities for further business development of new alcoholic beverages in order to diversify the sources of revenue, enhancing the scale of its business and Dynasty's brand influence.

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. 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 238 (including the board (the “**Board**”) of directors (the “**Directors**”)) (30 June 2023: 244) in Hong Kong and the PRC as at 30 June 2024. The total salaries and related costs (including the Directors' fees) for the six months ended 30 June 2024 amounted to approximately HK\$23.3 million (2023: HK\$22.6 million). During the period under review, the staff costs had a slight increase mainly as a result of the increase in casual employment in the production process.

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 2024, the Group's cash and cash equivalents, and short-term deposits with maturity up to three months amounted to HK\$118.5 million (31 December 2023: HK\$166.2 million). The decrease was mainly attributable to settlement of trade payables and related payments for additions to construction in progress of Ningxia project 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. The capital expenditures in relation to construction and installation of Ningxia Tianxia Winery (phase I) had been and will be funded by the Group's internal resources and proceeds from issue of Shares under general mandate completed in July 2023, 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\$118.5 million (31 December 2023: HK\$166.2 million) as at 30 June 2024, 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 2024, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 41% (31 December 2023: 48%). The Group's gearing ratio decreased and maintained at a sound level.

The market capitalisation of the Company as at 30 June 2024 was approximately HK\$422.5 million (31 December 2023: approximately HK\$591.5 million).

Capital commitments, contingencies and charges on assets

As at 30 June 2024, there was capital expenditure contracted for construction and machinery in relation to Ningxia Tianxia Winery project as well as other equipment upgrade of HK\$16.6 million (31 December 2023: HK\$24.2 million) but not yet incurred and there was no charge on assets.

The Group had no contingent liabilities as at 30 June 2024 (31 December 2023: HK\$ nil) .

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the six months ended 30 June 2024, except for liquidation process of a non-major associate in Ningxia which is still in progress, the Group had not made any material acquisition or disposal of subsidiaries, associates or joint ventures. The Group held a 25% equity interest of this associate in Ningxia. The carrying amount of the investment in the associate has been reduced to zero since 2012. The liquidation application related to the associate had been accepted by the local court in September 2023 and the process remained continuing in the period.

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 2024.

Change in directorship

Mr. Wong Ching Chung (“**Mr. Wong**”) and Mr. Robert Luc (“**Mr. Robert**”) retired by rotation as non-executive directors in accordance with article 84 of the articles of association of the Company at the conclusion of its annual general meeting held on 26 June 2024. Mr. Wong and Mr. Robert did not offer themselves for re-election due to their retirement. They had confirmed that there was no disagreement with the Board and there was no matter relating to their retirement that needed to be brought to the attention of the holders of securities of the Company.

Ms. Sophie Phe and Mr. Alain Jacques Gilbert Li were appointed as non-executive Directors with effect from 14 August 2024.

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 C3 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 2024.

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 had complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules for the six months ended 30 June 2024. 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 2024, 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

Ningxia, 28 August 2024

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, Ms. Sophie Phe and Mr. Alain Jacques Gilbert Li, and three independent non-executive Directors, namely, Mr. Yeung Ting Lap Derek Emory, Mr. Sun David Lee and Ms. Chung Wai Hang.