



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

2024

INTERIM REPORT





王朝
傳承



DYNASTY
Since 1980

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

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Corporate Profile

Dynasty is a premier winemaker with a long historical presence in the People's Republic of China (“**PRC**”) wine market. Dynasty has inherited the fine traditions and state-of-the-art expertise in winemaking from Remy Cointreau, one of the world's leading wine and spirits operators and our second largest shareholder ever since Dynasty's inception. From grapes growing, harvesting, to every single step of winemaking, Dynasty believes in quality. The entire production process is under stringent quality control to ensure the highest standards of our products. In recognition of our high standards, we were accredited with certificates of ISO 9002 in 1996, ISO 14001 in 2000, ISO 9001:2000 in 2002 and HACCP Certificate in 2006.

Dynasty has a diversified product portfolio, catering to various price segments, consumer tastes and preferences. We now make and sell over 100 types of wine products in five main categories, namely red wines, white wines, sparkling wines, ice wine and brandy.

On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code 00828. Having strong support from our major shareholders – Tianjin Food Group Company Limited and Remy Cointreau, Dynasty continues to provide high quality and “excellent value for money” wines to all consumer segments. With enhanced facilities and continual marketing efforts, Dynasty is well positioned to capture the robust growth potential of the Chinese wine market. We will strive to restore to the glory of Dynasty for the future of all our stakeholders and move towards celebrating our 20th anniversary as a listed company.

Financial Highlights

	Unaudited		
	For the six months ended 30 June		
	2024 HK\$'000	2023 HK\$'000	Changes
Revenue from contracts with customers	135,347	128,168	+6%
Gross profit	48,767	47,212	+3%
Profit attributable to owners of the Company	18,510	10,712	+73%
Basic earnings per share (HK cents)	1.3	0.9	+44%
	2024	2023	Changes in percentage point
Gross profit margin	36%	37%	-1%
	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000	
Capital and reserves attributable to owners of the Company	301,254	285,120	
Non-controlling interests	14,023	14,798	
Total equity	315,277	299,918	
Gearing ratio ¹	41%	48%	
Net assets per share: – book value ² (HK\$)	0.21	0.20	

Notes:

- Gearing ratio represents as total liabilities divided by total assets.
- Net assets per share – book value is calculated by dividing equity attributable to owners of the Company by the number of issued shares at the end of the reporting period.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WAN Shoupeng^(^)

Mr. HE Chongfu

Mr. HUANG Manyou^(&)

Non-Executive Directors

Mr. HÉRIARD-DUBREUIL Francois

Ms. Sophie PHE^(&)

Mr. Alain Jacques Gilbert LI

Independent Non-Executive Directors

Mr. YEUNG Ting Lap Derek Emory^{(#)(&)(^)}

Mr. SUN David Lee^{(#)(&)(^)}

Ms. CHUNG Wai Hang^{(#)(&)(^)}

Audit committee member

& Remuneration committee member

^ Nomination committee member

COMPANY SECRETARY

Mr. HO Yiu Sum

AUTHORISED REPRESENTATIVES

Mr. HUANG Manyou

Mr. HO Yiu Sum

LEGAL ADVISERS

Hong Kong

K&L Gates

Cayman Islands

Conyers Dill & Pearman, Cayman

The People's Republic of China

China Commercial (Tianjin) Law Firm

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Hong Kong Office

Room 4309, 43/F,

China Resources Building,

26 Harbour Road, Wanchai,

Hong Kong

Tianjin Office

No. 29 Jinwei Road, Beichen District

Tianjin City, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Corporate Information

PRINCIPAL BANKERS

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

COMPANY WEBSITE

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

ONLINE SALES WEBSITES

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

<https://m.tb.cn/h.UtCbPqm>
(王朝葡萄酒旗艦店 – 天貓) (P.R.C.)

Pinduoduo (拼多多) (P.R.C.)

<https://www.dynasty-winesshop.com> (H.K.)

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited



SHARE INFORMATION

Listing date	26 January 2005
Stock short name	Dynasty Wines
Nominal value	HK\$0.1
Number of issued Shares	As at 30 June 2024 1,408,405,886 Shares
Board lot	2,000 Shares

STOCK CODE

The Stock Exchange of Hong Kong Limited	00828
Reuters	0828.HK
Bloomberg	828:HK

FINANCIAL YEAR END DATE

31 December

Management Discussion and Analysis

INTERIM RESULTS

The revenue of Dynasty Fine Wines Group Limited (the “**Company**” or “**Dynasty**”) and its subsidiaries (collectively referred to as the “**Group**”) 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 approximately 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 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 report 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 wine products grew well over the period and served as the Group’s primary revenue contributor. Sale of red and white wines products accounted for approximately 45% and 51% respectively for the period under review (2023: red and white wines: both approximately 48%).

Management Discussion and Analysis

Cost of sales of goods

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

	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
Total cost of raw materials	71	73
Manufacturing overheads	20	18
Consumption tax and other taxes	9	9
Total cost of sales	100	100

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).

Management Discussion and Analysis

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%.

Management Discussion and Analysis

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

FINANCIAL MANAGEMENT AND TREASURY POLICY

For the six months ended 30 June 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 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.

Management Discussion and Analysis

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 a 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.

Management Discussion and Analysis

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".

Management Discussion and Analysis

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. 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.

Management Discussion and Analysis

Use of proceeds raised from the issue of shares under general mandate

On 31 July 2023, the Group completed the issue of shares under general mandate, the total gross funds raised amounted to approximately HK\$39.7 million, and the net proceeds, after deduction of the placing agent fee and other related expenses of the issue, were approximately HK\$37.8 million.

As at the end of June 2024, the use of net proceeds raised from such issue of shares under general mandate (“**Net Proceeds**”) was as follows:

	Planned use of approximate amount of Net Proceeds <i>HK\$'million</i>	Approximate actual amount of utilised Net Proceeds up to 30 June 2024 <i>HK\$'million</i>	Approximate amount of unutilised Net Proceeds as at 30 June 2024 <i>HK\$'million</i>	Expected timeline for utilising of the unutilised Net Proceeds
Develop a new winery in Ningxia Hui Autonomous Region, the PRC	18.9	16.3	2.6	On or before 31 December 2024
Promotion and marketing campaigns at the core markets of the Company and other general corporate purposes	18.9	5.7	13.2	On or before 31 December 2024
Total	37.8	22.0	15.8	

The unutilised Net Proceeds were deposited in the bank accounts with licensed banks in the PRC. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation by the Board.

Construction of Ningxia Tianxia Winery

On 26 January 2024, Dynasty Fine Wines (Ningxia) Co., Ltd (王朝酒業(寧夏)有限公司) (“**Dynasty Ningxia**”), a wholly-owned subsidiary of the Company, entered into a decoration and installation agreement with China Railway First Group Tianjin Construction Engineering Co., Limited (中鐵一局集團天津建設工程有限公司), the contractor of the Company (the “**Contractor**”), pursuant to which the Contractor shall provide decoration and installation services to Dynasty Ningxia for the Tianxia winery (Phase I) and its ancillary premises (the “**Decoration and Installation Agreement**”) at the consideration of RMB8,883,987.26 (equivalent to approximately HK\$9.76 million). Pursuant to the Listing Rules, as the Construction Agreement (referred to the discloseable transaction announcement dated 30 November 2023) and Decoration and Installation Agreement were entered into between Dynasty Ningxia and the Contractor within a 12-month period, all transactions respectively contemplated under those agreements are considered and be aggregated as one transaction. For details, please refer to the discloseable transaction announcement dated 26 January 2024.

The construction of Tianxia winery (Phase I) and its ancillary premises is well in progress during the period under review and expected to be entirely completed in the third quarter of 2024. Pressing, fermentation, processing facilities will be pre-run in the third quarter of this year, so as to strengthen processing capacity of the Group.

Management Discussion and Analysis

Events after the Period End

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

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 Group 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 in 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 of the Company with effect from 14 August 2024.

Management Discussion and Analysis

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

As at 30 June 2024, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 30 June 2024, the interests or short positions of any person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in Shares

Name	Interests in shares other than pursuant to equity derivatives (and capacity)	Aggregate long position	Approximate percentage of the Company's issued voting share
Famous Ever Group Limited	558,000,000 ordinary Shares (beneficial owner)	558,000,000 ordinary Shares	39.62%
Tianjin Food Group Co. Ltd. (天津食品集團有限公司) ("Tianjin Food") (Note 1)	574,850,000 ordinary Shares (interest in a controlled corporation)	574,850,000 ordinary Shares	40.82%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai") (Note 1)	574,871,922 ordinary Shares (interest in a controlled corporation)	574,871,922 ordinary Shares	40.82%
Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("TEDA Industrial") (Note 1)	574,871,922 ordinary Shares (interest in a controlled corporation)	574,871,922 ordinary Shares	40.82%
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("Tianjin TEDA") (Note 1)	574,871,922 ordinary Shares (interest in a controlled corporation)	574,871,922 ordinary Shares	40.82%
Remy Pacifique Limited (Note 2)	336,528,000 ordinary Shares (beneficial owner)	336,528,000 ordinary Shares	23.90%
Remy Concord Limited (Note 2)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	23.90%
Remy Cointreau Services S.A.S. (Note 2)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	23.90%

Management Discussion and Analysis

Name	Interests in shares other than pursuant to equity derivatives (and capacity)	Aggregate long position	Approximate percentage of the Company's issued voting share
Remy Cointreau S.A. (Note 2)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	23.90%
Orpar S.A. (Note 2)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	23.90%
Andromede S.A.S. (Note 2)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	23.90%
Zengli Investment Group Co. LTD (Note 3)	115,394,944 ordinary Shares (beneficial owner)	115,394,944 ordinary Shares	8.19%
Tianjin Zengli Trading Group Co. LTD (Note 3)	115,394,944 ordinary Shares (interest in a controlled corporation)	115,394,944 ordinary Shares	8.19%
Li Junjie (Note 3)	115,394,944 ordinary Shares (interest in a controlled corporation)	115,394,944 ordinary Shares	8.19%
Hao Mingzhen (Note 3)	115,394,944 ordinary Shares (interest in a controlled corporation)	115,394,944 ordinary Shares	8.19%

Notes:

- (1) Based on the disclosure of interests forms filed on 27 December 2023 and 3 July 2024 (being the last disclosure of interests forms filed by the relevant entities on or prior to 30 June 2024), Tianjin TEDA is a state-owned enterprise established in the PRC, which is indirectly wholly-owned by the Tianjin Municipal People's Government of the PRC. Tianjin TEDA was interested in approximately 77.2% equity interests of TEDA Industrial. TEDA Industrial was interested in the entire equity interests of Bohai. Bohai was:
- (i) interested in the entire equity interests of Tsinlien Group Company Limited (津聯集團有限公司), which in turn was interested in 21,922 Shares, representing approximately 0.002% of the issued share capital of the Company; and
 - (ii) interested in the entire equity interests of Tianjin Food, which in turn was:
 - (a) interested in the entire equity interests of Famous Ever Group Limited, which in turn was interested in 558,000,000 Shares, representing approximately 39.62% of the issued share capital of the Company; and
 - (b) interested in the entire equity interests of Tianjin Agriculture Hongyilian Investment Co., Ltd.* (天津農墾宏益聯投資有限公司), which in turn was interested in the entire equity interests of Tianjin Chenhai Enterprise Management Co., Ltd.* (天津宸海企業管理有限公司), which in turn was interested in the entire equity interests of Chenhai Investment Limited, which in turn was interested in 16,850,000 Shares, representing approximately 1.20% of the issued share capital of the Company.

* for identification purpose

Management Discussion and Analysis

Accordingly,

1. Tianjin TEDA, TEDA Industrial and Bohai were deemed to be interested in the aggregate number of Shares (being 574,871,922 Shares, representing approximately 40.82% of the issued share capital of the Company) held by (1) Tsinlien Group Company Limited (津聯集團有限公司); (2) Famous Ever Group Limited; and (3) Chenhai Investment Limited pursuant to the SFO; and
2. Tianjin Food was deemed to be interested in the aggregate number of Shares (being 574,850,000, representing approximately 40.82% of the issued share capital of the Company) held by (1) Famous Ever Group Limited; and (2) Chenhai Investment Limited pursuant to the SFO.

Mr. Wan Shoupeng, an executive Director and chairman of the Company, is also a director and chairman of Tianjin Food.

- (2) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 51% of the voting power at general meetings of Remy Cointreau S.A.. Orpar S.A. is also entitled to exercise or control the exercise of approximately 73% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 19% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A.S. is entitled to exercise or control the exercise of 100% of the voting power at general meetings of Orpar S.A.. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A.S. is deemed to be interested in the Shares held by Remy Pacifique Limited. Mr. Heriard-Dubreuil Francois, a non-executive Director, is also a director and/or an employee of Andromede S.A.S., Remy Cointreau S.A., Remy Concord Limited and Remy Pacifique Limited.
- (3) Zengli Investment Group Co. LTD. is direct wholly-owned subsidiary of Tianjin Zengli Trading Group Co. LTD, which is in turn directly owned by Li Junjie and Hao Mingzhen as to 51.22% and 48.78% respectively. By virtue of the SFO, each of Tianjin Zengli Trading Group Co. LTD and Li Junjie and Hao Mingzhen is deemed to be interested in the same parcel of shares of the Company in which Zengli Investment Group Co. LTD. is interested.

Apart from the aforesaid, as at 30 June 2024, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed 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.

Management Discussion and Analysis

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to the shareholders and protecting and enhancing shareholder value through solid corporate governance. It devotes considerable efforts in identifying and formalising best practices. It also exerts its best efforts to ensure optimum transparency and the best quality of disclosures. The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring all businesses are conducted in an honest, ethical and responsible manner and the proper processes for oversight of its businesses are in place, in operation and are regularly reviewed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors who together have substantial experience in the fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs. The Audit Committee has reviewed this interim report for the six months ended 30 June 2024.

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

Ningxia, 28 August 2024

Financial Section

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Condensed Consolidated Income Statement

For the six months ended 30 June 2024

Unaudited
Six months ended 30 June

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers	5	135,347	128,168
Cost of sales of goods		(86,580)	(80,956)
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		(14,307)	(18,240)
Operating profit	6	17,044	9,161
Finance income		934	1,195
Finance costs		–	(50)
Finance income – net		934	1,145
Profit before income tax		17,978	10,306
Income tax expense	7	–	–
Profit for the period		17,978	10,306
Profit/(loss) attributable to:			
Owners of the Company		18,510	10,712
Non-controlling interests		(532)	(406)
		17,978	10,306
		HK cents	HK cents
Earnings per share attributable to owners of the Company for the period			
– Basic and diluted earnings per share	9	1.3	0.9

The Notes on pages 28 to 40 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

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

The Notes on pages 28 to 40 are an integral part of these condensed financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2024

	Notes	As at	
		30 June 2024 Unaudited HK\$'000	31 December 2023 Audited HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	98,925	71,320
Right-of-use assets	11	22,488	23,465
Other receivables		958	823
Prepayments		20	6,646
Investment in an associate	12	–	–
Deferred income tax assets		–	–
Total non-current assets		122,391	102,254
Current assets			
Trade receivables	13	49,471	22,644
Notes receivable	14	16,511	34,735
Other receivables		11,164	7,865
Prepayments		9,924	8,903
Inventories		202,042	235,746
Cash and cash equivalents	15	119,235	166,741
Total current assets		408,347	476,634
Total assets		530,738	578,888
LIABILITIES			
Non-current liabilities			
Lease liabilities		702	1,187
Current liabilities			
Trade payables	18	61,489	115,478
Contract liabilities		24,995	36,314
Other payables and accruals		127,201	124,876
Lease liabilities		1,074	1,115
Total current liabilities		214,759	277,783
Total liabilities		215,461	278,970

Condensed Consolidated Balance Sheet

As at 30 June 2024

	Notes	As at	
		30 June 2024 Unaudited HK\$'000	31 December 2023 Audited HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	16	140,840	140,840
Other reserves	17	1,159,023	1,161,399
Accumulated losses		(998,609)	(1,017,119)
Capital and reserves attributable to owners of the Company		301,254	285,120
Non-controlling interests		14,023	14,798
Total equity		315,277	299,918
Total equity and liabilities		530,738	578,888

The Notes on pages 28 to 40 are an integral part of these condensed financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
HK\$'000	HK\$'000 (Note 17)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2023	124,820	1,143,456	(1,038,457)	229,819	15,767	245,586
Comprehensive income/(loss)						
Profit/(loss) for the period	-	-	10,712	10,712	(406)	10,306
Other comprehensive expenses						
Currency translation differences	-	(8,638)	-	(8,638)	(505)	(9,143)
Total comprehensive (loss)/income	-	(8,638)	10,712	2,074	(911)	1,163
Balance at 30 June 2023	124,820	1,134,818	(1,027,745)	231,893	14,856	246,749
Balance at 1 January 2024	140,840	1,161,399	(1,017,119)	285,120	14,798	299,918
Comprehensive income/(loss)						
Profit/(loss) for the period	-	-	18,510	18,510	(532)	17,978
Other comprehensive expenses						
Currency translation differences	-	(2,376)	-	(2,376)	(243)	(2,619)
Total comprehensive (loss)/income	-	(2,376)	18,510	16,134	(775)	15,359
Balance at 30 June 2024	140,840	1,159,023	(998,609)	301,254	14,023	315,277

The Notes on pages 28 to 40 are an integral part of these condensed financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Net cash (used in)/generated from:		
– operating activities	(14,400)	(41,866)
– investing activities	(29,130)	2,052
– financing activities	(561)	(911)
Net decrease in cash and cash equivalents	(44,091)	(40,725)
Cash and cash equivalents at 1 January	166,249	160,734
Changes in exchange rate	(3,607)	(6,889)
Cash and cash equivalents at 30 June	118,551	113,120

The Notes on pages 28 to 40 are an integral part of these condensed financial information.

Notes to the Condensed Financial Information

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, whilst the principal office is 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.

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.

Notes to the Condensed Financial Information

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

2.2 Amended standards adopted by the Group

Except as described below, the accounting policies applied are consistent with those of 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.

Notes to the Condensed Financial Information

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

2.2 Amended standards adopted by the Group *(continued)*

(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.

Notes to the Condensed Financial Information

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.

Notes to the Condensed Financial Information

5 SEGMENT INFORMATION

In accordance with the Group's internal reporting, the chief operating decision-maker considers the business from product perspective and has determined the operating segments to be red wines, white wines and all other products primarily related to the sale of sparkling wines, brandy, 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 <i>HK\$'000</i>	White wines <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

Notes to the Condensed Financial Information

5 SEGMENT INFORMATION (continued)

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
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)
Operating profit	17,044	9,161
Finance income – net	934	1,145
Profit before income tax	17,978	10,306

- (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	<i>HK\$'000</i>
Customer A	22,572	13,638

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

Notes to the Condensed Financial Information

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	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
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)

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	–	–

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%).

Notes to the Condensed Financial Information

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 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 had 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 CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the six months ended 30 June 2024, the Group acquired plant and equipment amounting to approximately HK\$5,422,000 (2023: HK\$1,748,000) and construction in relation to Ningxia Tianxia Winery project was approximately HK\$24,252,000 (2023: nil). There is capital expenditure contracted for at the end of the reporting period but not recognised as liabilities for construction and machinery of approximately HK\$16,648,000 (31 December 2023: approximately HK\$24,189,000).

11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group has no addition of right-of-use assets (2023: HK\$2,423,000) and the depreciation of right-of-use assets recognised in unaudited condensed consolidated income statement was approximately HK\$974,000 (2023: approximately HK\$653,000).

12 INVESTMENT IN AN ASSOCIATE

Set out below are details of the associate of the Group as at 30 June 2024 and 31 December 2023. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

* Private entity-no quoted price available.

Notes to the Condensed Financial Information

12 INVESTMENT IN AN ASSOCIATE *(continued)*

As at 30 June 2024, the Group held a 25% (31 December 2023: 25%) equity interest of Yuma, an unlisted company established and operating in the PRC as manufacturer and distributor of unprocessed wines with a paid up ordinary share capital of RMB40 million.

There are no contingent liabilities relating to the Group's interest in the associate. The carrying amount of the investment has been reduced to zero since 2012 due to continuing losses of the associate. The associate becomes inactive without any production activities since October 2011 and remained under liquidation process during the period.

13 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 30 June 2024 HK\$'000	Audited 31 December 2023 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
	66,231	35,157
Less: Loss allowance	(16,760)	(12,513)
Trade receivables – net	49,471	22,644

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

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance increased by HK\$4,247,000 to HK\$16,760,000 during the current reporting period.

Notes to the Condensed Financial Information

14 NOTES RECEIVABLE

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Bank acceptance bills	16,511	34,735

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.

15 CASH AND BANK

(i) Restricted cash

The cash and bank included restricted cash of HK\$684,000 (31 December 2023: HK\$492,000) held by the Group. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

(ii) Cash and cash equivalents in cash flow statement

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Cash at bank and in hand	118,551	166,249

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

16 SHARE CAPITAL

	Number of Shares (thousands)	Share capital HK\$'000
As at 31 December 2023 (audited)	1,408,406	140,840
As at 30 June 2024 (unaudited)	1,408,406	140,840

Notes to the Condensed Financial Information

17 OTHER RESERVES

	Unaudited					Total HK\$'000
	Share premium HK\$'000 (Note i)	Merger reserve HK\$'000 (Note ii)	Reserve fund HK\$'000 (Note iii)	Enterprise expansion fund reserve HK\$'000 (Note iii)	Exchange reserve HK\$'000 (Note iv)	
As at 1 January 2023	464,464	74,519	158,928	94,434	351,111	1,143,456
Currency translation differences	—	—	—	—	(8,638)	(8,638)
As at 30 June 2023	464,464	74,519	158,928	94,434	342,473	1,134,818
As at 1 January 2024	486,336	74,519	158,928	94,434	347,182	1,161,399
Currency translation differences	—	—	—	—	(2,376)	(2,376)
As at 30 June 2024	486,336	74,519	158,928	94,434	344,806	1,159,023

Notes:

(i) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

(ii) MERGER RESERVE

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries that were acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Group re-organisation in preparation for listing its Shares on the Main Board of the Stock Exchange.

(iii) RESERVE FUND AND ENTERPRISE EXPANSION FUND RESERVE

According to the Articles of Association of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory financial statements should be transferred to reserve fund and enterprise expansion fund reserve. The percentage of appropriation may be determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion fund reserve can be used for expansion of production facilities or increase in registered capital. For the six months ended 30 June 2024 and 2023, there was no net profit for appropriation.

(iv) EXCHANGE RESERVE

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

Notes to the Condensed Financial Information

18 TRADE PAYABLES

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

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
0–30 days	19,969	69,138
31–90 days	3,430	7,178
91–180 days	56	986
Over 180 days	38,034	38,176
	61,489	115,478

19 RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
(a) Key management compensation		
Key management includes Directors (executive and non-executive), the company secretary and the senior management. The compensation paid or payable to key management for employee services is shown below:		
Short-term employee benefits	1,688	1,834
Long-term benefits	160	157
Total	1,848	1,991
(b) Transaction with other related parties		
Sales of goods		
– Associates of Zengli Investment	2,750	N/A
– Associates of National Tide Era	146	N/A
– Tianjin Food and its subsidiaries and associates	66	190

The prices of sales of goods to related parties are determined based on normal commercial terms and conditions.

Notes to the Condensed Financial Information

19 RELATED PARTY TRANSACTIONS (continued)

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
(c) Outstanding balances arising from sales of goods		
Current receivables from related parties		
– Tianjin Food and its subsidiaries and associates	64	1,085
(d) Outstanding balances arising from purchases of goods and services		
(i) Current payables to related parties		
– Tianjin Food and its subsidiaries and associates	27,782	31,766
The payables to related parties bore no interest.		
(ii) Prepayment to related parties		
– Tianjin Food and its subsidiaries and associates	324	343
(e) Outstanding balances arising from transfer of debt		
Current payables to related parties		
– Tianjin Food and its subsidiaries and associates	10,957	11,035

Relationship with the major related parties are as follows:

Related parties	Relationship
Tianjin Food Group Company Limited ("Tianjin Food")	Shareholder of the Company
Zengli Investment Group Co. LTD. ("Zengli Investment") (Note*)	Shareholder of the Company
National Tide Era Holding Limited ("National Tide Era") (Note*)	Shareholder of the Company

Note*: Zengli Investment and National Tide Era became new shareholders of the Company upon the completion of the share placement of the Company on 31 July 2023.