



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 828

# 2021

## Interim Report



“中国风土 世界品质”

# 王朝·典藏



典示生活本来 藏

## 王朝典藏系列发布会 焕新上市发



DYNASTY  
王朝酒业

### 血脉相承·心中之选

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DYNASTY  
酒的王朝

## 向美好生活出发

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# Corporate Profile

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

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

On 26 January 2005, Dynasty was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code 828. Having strong support from our major shareholders – Tianjin Food Group Co., Ltd. and Remy Cointreau, Dynasty keeps on providing all consumer strata high quality and “excellent value for money” wines. With enhanced facilities and continual marketing efforts, Dynasty is well positioned to capture the robust growth potential of the Chinese wine market. We will strive to restore to the glory of Dynasty for the future of all our stakeholders.

# Financial Highlights

## For the six months ended 30 June

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Changes
Revenue from contracts with customers	<b>179,632</b>	89,886	+100%
Gross profit	<b>67,781</b>	26,635	+154%
Profit attributable to owners of the Company	<b>19,485</b>	142,681	-86%
Profit/(loss) attributable to owners of the Company (2020: excluding gain on disposal of a chateau and related facilities and compensation due to employee reform plan)	<b>19,485</b>	(27,803)	Turnaround
	<b>2021</b>	2020	Changes in percentage point
Gross profit margin	<b>38%</b>	30%	+8%

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. WAN Shoupeng<sup>(^)</sup>  
Mr. LI Guanghe  
Mr. HUANG Manyou<sup>(&)</sup>

### Non-Executive Directors

Mr. HERIARD-DUBREUIL Francois  
Mr. WONG Ching Chung<sup>(&)</sup>  
Mr. ROBERT Luc

### Independent Non-Executive Directors

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

# Audit committee member

& Remuneration committee member

^ Nomination committee member

## COMPANY SECRETARY

Mr. HO Yiu Sum

## AUTHORISED REPRESENTATIVES

Mr. HUANG Manyou  
Mr. HO Yiu Sum

## LEGAL ADVISERS

### Hong Kong

K&L Gates

### Cayman Islands

Conyers Dill & Pearman, Cayman

### The People's Republic of China

Tianjin Shuze Lawyer

## AUDITOR

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

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

### Hong Kong Office

Units E&F, 16/F,  
China Overseas Building,  
139 Hennessy Road, Wanchai,  
Hong Kong

### Tianjin Office

No. 29 Jinwei Road, Beichen District  
Tianjin City, PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

# Corporate Information

## PRINCIPAL BANKERS

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

## COMPANY WEBSITE

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

## ONLINE SALES WEBSITES

<https://dynastytj.jd.com>  
(王朝葡萄酒旗艦店 – 京東) (P.R.C.)

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

Pinduoduo (拼多多) (P.R.C.)

<http://www.dynasty-wines.com/shop> (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 2021 1,248,200,000 Shares
Board lot	2,000 Shares

## STOCK CODE

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

## FINANCIAL YEAR END DATE

31 December

# Management Discussion and Analysis

## INTERIM RESULTS

The revenue of Dynasty Fine Wines Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 nearly doubled to HK\$179.6 million (2020: HK\$89.9 million) and the Group’s profit attributable to the owners of the Company decreased to HK\$19.5 million (2020: HK\$142.7 million).

Earnings per share of the Company (the “**Share**”) for the six months ended 30 June 2021 was HK1.6 cents per Share (2020: HK11.4 cents per Share) based on the weighted average number of 1,248 million Shares (2020: 1,248 million Shares) in issue during the period under review. There was no potential dilutive Share for the six months ended 30 June 2021.

The decrease in profit attributable to the owners of the Company in the first half of 2021 was primarily due to the recognition of a gain (after land appreciation tax) of approximately HK\$184 million from the disposal of a Chateau and related facilities (the “**Disposal**”) which was completed in January 2020. Excluding such non-recurring gain on the Disposal as well as a non-recurring employee compensation of approximately HK\$13.3 million due to the implementation of employee reform plan in 2020, there would have been an adjusted unaudited consolidated loss of approximately HK\$27.8 million for the six months ended 30 June 2020. The Group recorded a turnaround from the adjusted consolidated loss and achieved an unaudited consolidated profit during the period under review, benefited from the increase in the sales of medium to high end wine products and the improvement in gross profit margin.

## FINANCIAL REVIEW

### Income Statement

#### *Revenue*

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2021, total revenue of the Group increased by nearly 100% to approximately HK\$179.6 million from approximately HK\$89.9 million in the corresponding period in 2020. The growth in revenue was mainly due to the prominent increase in sales volume of products, especially middle to high end wine products after optimisation of product mix, as well as the increase in market price of certain upgraded and custom-made products during the period under review.

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 increased. Since consumers in the PRC have a preference for red wine, the Group was able to set higher price for its red wine products and therefore the average ex-winery sale price of the Group’s red wines was generally higher than that of its white wines.

Sales of red wine products continued to be the Group’s primary revenue contributor accounted for approximately 58% of the Group’s revenue for the period under review (2020: 63%).

# Management Discussion and Analysis

## Cost of sales of goods

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

	For the six months ended 30 June	
	2021 %	2020 %
Cost of raw materials		
– Grapes and grape juice	45	44
– Yeast and additives	2	2
– Packaging materials	21	20
– Others	1	2
Total cost of raw materials	69	68
Manufacturing overheads	20	24
Consumption tax and other taxes	11	8
Total cost of sales	100	100

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, labels, corks and packing boxes. During the period under review, the cost of grapes and grape juice was the key component of cost of sales and accounted for approximately 45% of the Group's total cost of sales, remained stable when compared with approximately 44% in the corresponding period in 2020.

Manufacturing overheads primarily consisted of depreciation, rental of property, plant and equipment, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses in relation to production process. During the period under review, manufacturing overheads decreased as compared with the corresponding period in 2020 mainly due to a decrease in production staff cost after the implementation of employee reform plan, and a decrease in storage charges relating to the production.

# Management Discussion and Analysis

## **Gross profit margin**

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. The overall gross profit margin increased to 38% for the six months ended 30 June 2021 from 30% for the corresponding period in 2020, mainly as a result of the increase in average sale price of certain upgraded and custom-made red and white wine products compared with the corresponding period in 2020.

During the period under review, the gross profit margin of red wine products and white wine products were 39% and 35% respectively (2020: 30% and 31% respectively).

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

Other income, other gains and losses were mainly comprised of gain on the Disposal, as well as disposal of obsolete products, and government subsidies related to enterprise development.

Pursuant to the Disposal at the consideration of RMB400 million (equivalent to HK\$446.5 million), the Disposal was completed on 23 January 2020, therefore a net gain on the Disposal (before land appreciation tax) of HK\$244.9 million was recognised in the corresponding period in 2020.

Other income, other gains and losses for the six months ended 30 June 2021 represented a net gain of approximately HK\$0.5 million (2020: approximately HK\$245.7 million). The drop in net gain was mainly due to the Disposal was a one-off transaction and therefore no such gain on the Disposal during the period under review.

## **Distribution costs**

Distribution costs principally included 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% (2020: 31%) of the Group's revenue. The decrease in distribution costs to revenue ratio was mainly due to a decrease in storage charges resulting from the optimisation of warehouses and staff costs pursuant to the employee reform plan in 2020, offset by an increase in promotion and advertising expenses following the recovery of economy, compared with corresponding period last year. The Group continued to promote and market its brand and new products through a range of joint promotions with local distributors, print and outdoor advertisements, wine dinners, wine tasting events, digital communication, event sponsorships and exhibitions. The Group will ensure its promotional strategy is responsive to market dynamics and competition.

# Management Discussion and Analysis

## ***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 12% (2020: 46%). The decrease in ratio was mainly attributable to the non-recurring payment of employee compensation due to the implementation of employee reform plan in the corresponding period in 2020. Excluding such non-recurring payments, the administrative expenses still recorded a decrease compared with the corresponding period in 2020 primarily as a result of effective cost control measures and a decrease in staff cost after the implementation of the employee reform plan in 2020.

## ***Finance income – net***

During the period under review, there was an increase in finance income – net, which was mainly due to an increase in bank interest income compared with the corresponding period in 2020.

## ***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.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. The decrease in income tax expense was mainly due to land appreciation tax related to the Disposal in the corresponding period last year.

# Management Discussion and Analysis

## FINANCIAL MANAGEMENT AND TREASURY POLICY

For the six months ended 30 June 2021, 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 2021, the increase in revenue was primarily:

- (a) due to the recovery of sales resulting from the resumption of consumption occasions and consumer sentiment after government's relaxation of restrictions on the places of consumption, as well as growth of economy especially in domestic consumption, following the containment of spread of the novel coronavirus pneumonia ("**COVID-19**") in the PRC;
- (b) driven by an increase in sales of medium to high end wine products during the period under review as a result of improvement in sales mix after brand and product upgrade, compared with the corresponding period last year; and
- (c) contributed by strengthened cooperation between sales team of the Group and distributors as well as purchase of goods from distributors before festivals during the period under review, which also showcased the stage results subsequent to the implementation of sales and marketing reform.

## Management Discussion and Analysis

During the period under review, the Group continued in implementing a sales and marketing reform, as well as product and channel strategies. Regarding product strategy, the Group has been building a portfolio of high quality products that can satisfy different consumption scenarios, and cover all product categories and price ranges in achieving an optimised product layout which was in line with its “5+4+N product strategy” to exploit the full potential of the consumer market. Regarding channel strategy, the Group strengthened its promotion, in particular title sponsorship of high-speed train since March of this year and advertising on online media in order to increase product and brand exposure and strengthen brand image. Furthermore, the Group pushed to expand distribution channels, including tobacco and liquor shops, convenience stores and medium and large supermarkets, catering outlets and social community. In addition to fortify the foundation of traditional sales channels, the Group has been penetrating social community through flexible interactive and thematic activities, and engaging opinion leaders plus content marketing, so that it may have the benefit of diverse yet all-connected channels. The Group will press ahead with its mass-scale marketing campaign that showcasing in 20,000 shops, hosting 1,000 wine tasting events and organising 100 plant visits, so as to keep developing and enhancing its point-of-sale network.

The Group held its first brandy tasting and business fair event this January and took part in the 104th China Food & Drinks Fair (Spring Food & Drinks Fair) held in Chengdu in April 2021, during which the Group actively promoted its latest product mix that covered all product lines, and received enthusiastic market response.

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 Xin Chou Year of the Ox, integrating the high quality with the Chinese zodiac culture and the leading rise of Chinese-style fashion products. The second generation of Dynasty Classic Collection – Cabernet Sauvignon Dry Red Wines made their debut on the market in June 2021, covering the mainstream price bands of mass consumption and suitable for omni-channel retail, as a result of the unified design styles and improved recognition.

Moreover, the Group also sold foreign branded wines mainly imported from France, Italy, Germany, Austria, Australia, Chile and Spain in the PRC wine market through the Group’s existing distribution network to introduce some classic “old world” and “new world” varietals to cater for a market niche preferring the taste of foreign premium wines. The Group currently sells about 110 imported products under approximately 20 brands.

The Group believes that the trend of increasing wealth and the disposable income of consumers for a medium-term would steadily benefit the demand of Dynasty wines.

# Management Discussion and Analysis

## **B. Online sales**

The Group kept and strengthened cooperation with distributors to operate online stores on the e-commerce platforms. In addition to online stores on Tmall (天貓商城) and JD.com (京東商城), online flagship store on Pinduoduo (拼多多) platform and distribution line on Tmall Mart (天貓超市), during the period under review, the Group continued coupling with distributors to operate new online sales channels such as the second-line sales distribution platform, social media and social group e-commerce platforms or in the form of online live delivery, etc. Meanwhile, the Group established an e-commerce team and actively cultivate e-commerce live broadcasting talents to further expand its sales channels so as to build up a new customer base.

The Group strategically plans and continues putting resources for future improvement of the online sales channels and optimisation of online stores interface so as to capture the change of customer consumption behavior in the PRC. During the period under review, apart from the existing exclusive products for e-commerce platforms, the Group had also been developing new products for emerging marketing channels, such as live broadcasting, and strengthened the price management of online sales of old products. The Group is optimistic about the prospects of the e-commerce business. The Group believes that the online platform not only serves as a business-to-customer trading platform between the Group and the consumers, but also an additional marketing and promotion channel for the brand. Thus, the platform should enhance the overall business potential of the Group.

## **Supplies of Grapes and Grape Juice**

Production of quality wines greatly depends on a sufficient supply of quality grapes or grape juice. Currently, the Group has more than 10 major grape juice suppliers with whom the Group has enjoyed long-term relationship, mainly located in Tianjin, Hebei, Ningxia and Xinjiang. Ensuring reliable supplies of quality grapes and grape juice to meet the production needs of the Group's growing business is a high priority of the Group. Thus, the Group continues to actively work with vignerons to expand their existing vineyards in order to enjoy better economies of scale and equip their vineyards with state-of-the-art techniques for assuring quality. For super and ultra premium wines, vignerons have adopted a disciplined approach to limiting harvest yields in order to deliver higher quality grapes. To optimise the supply network, the Group kept identifying new suppliers that comply with the quality requirements, and the Group conducted thorough tests on their grape juices before orders were placed. These procedures ensure the Group to procure quality grapes and grape juice supplies and also minimise the effect of bad harvests interrupting production.

# Management Discussion and Analysis

Following the entering into of the master purchase agreement with Tianjin Food Group Co. Ltd. (“**Tianjin Food**”) in November 2020, the procurement of grapes and grape juice (including unprocessed wines) from Tianjin Food not only maintained and stabilised the quality of grapes and grape juice (including unprocessed wines), but also reduced the Group’s lead time and cost of transportation and storage. Furthermore, Tianjin Food will continue to follow the guidance and advices provided by the Group in the process of grape harvesting and pressing which can ensure that the quality of grape juice (including unprocessed wines) meets the Group’s standard.

## Production Capacity

As at the end of June 2021, the Group’s annual production capacity remained at 50,000 tonnes (31 December 2020: 50,000 tonnes). Such capacity is sufficient for the Group to promptly response to the market demand and provides a platform for sustainable earnings growth.

## Prospects and Future Plans

Looking ahead to the second half of 2021, the Group will focus on product quality, reinvent consumption scenarios and strive to guide market spending, while continuing to build Dynasty into a brand representative of Chinese wines and its wines into iconic products. The Group will all be geared up to take the fast track on the revival journey and lead the development of Chinese wines.

The Group will also enhance its current product offerings and build the infrastructure for the market under its ‘5+4+N product strategy’. The Group will be persistent in meeting consumer demand by pursuing innovations for its wine series. Meanwhile, the Group will increase its investment in brand development to fully vitalise its brand and drive the development of its major products by steadily enhancing quality and controlling prices to boost sales volumes, with the aim of bringing Dynasty’s superior wines to more consumers in the PRC. Subject to further preventive measures due to the emergence of ongoing sporadic COVID-19 cases in the PRC which may have impact on the business of the Group, barring any unforeseen market conditions, the Group currently expects that the revenue of the Group will keep growing on a steady trend and having a solid increase in the full year of 2021.

No significant events have taken place after the six months ended 30 June 2021 to the date of this report.

# 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, so employees are encouraged to enrol in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group has reviewed and adjusted its human resources and remuneration policies, especially the performance-based bonus award, with reference to local legislation, market conditions, industry practice and achievements of the Group's targets as well as the performance of individual employee.

The Group employed a work force of 241 (including the board (the **"Board"**) of directors (the **"Directors"**)) (30 June 2020: 298) in Hong Kong and the PRC as at 30 June 2021. The total salaries and related costs (including the Directors' fees and the employee compensation pursuant to the employee reform plan) for the six months ended 30 June 2021 amounted to approximately HK\$27.2 million (2020: HK\$48.0 million). During the period under review, the staff cost decreased mainly as a result of the implementation of the employee reform plan to streamline and optimise the personnel and business units' structure in 2020.

## 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 2021, the Group's cash and cash equivalents, and short-term deposits amounted to HK\$237.0 million (31 December 2020: HK\$182.1 million). The increase was mainly due to operating profit and a decrease in purchase of raw materials during the period under review. It has sufficient financial resources and an adequate cash position to satisfy 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.

# Management Discussion and Analysis

## CAPITAL STRUCTURE

The Group had cash and liquidity position of HK\$237.0 million (31 December 2020: HK\$182.1 million) as at 30 June 2021, 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 2021, the Group's gearing ratio (expressed as total liabilities divided by total assets, in percentage) was approximately 60% (31 December 2020: 63%). The Group's gearing ratio maintained at a sound level.

The market capitalisation of the Company as at 30 June 2021 was approximately HK\$649.1 million (31 December 2020: approximately HK\$636.6 million).

## CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 30 June 2021, the Group had capital commitment contracted but not provided for property, plant and equipment were approximately HK\$1.93 million (31 December 2020: HK\$ nil) and there was no charge on assets.

The Group had contingent liabilities in relation to the following labour arbitrations:

- 1) In December 2019, four employees of the Group lodged a labour arbitration with Tianjin Beichen District Labour Dispute Arbitration Committee against two subsidiaries of the Company claiming for a total compensation of RMB3.5 million (equivalent to HK\$3.95 million) regarding the termination of their employment contracts, which were for the purpose of changing their employment to other subsidiaries within the Group. As at 31 December 2020, the arbitration was still in progress except one of the employees returned to work since 1 January 2021. Based on the understanding of the related laws and regulations and the consultation with an external legal counsel, the Directors were of the view that the potential compensation amount was not likely to be higher than RMB1.39 million (equivalent to HK\$1.67 million). Therefore, a provision for this contingent liability was made.

As at the date of this report, the arbitration was still in progress. Therefore, the provision for this contingent liability of RMB1.39 million (equivalent to HK\$1.67 million) remained as at 30 June 2021.

- 2) After the implementation of the employee reform plan in 2020, nine employees of the Group lodged labour arbitrations with Tianjin Beichen District Labour Dispute Arbitration Committee against two subsidiaries of the Company, claiming for a total compensation of RMB0.91 million (equivalent to HK\$1.10 million) regarding the termination of their employment contracts. As at 31 December 2020, based on the understanding of the related laws and regulations and the consultation with an external legal counsel, the Directors were of the view that the potential compensation amount was not likely to be higher than the aforesaid claimed amount of RMB0.91 million (equivalent to HK\$1.10 million). Therefore, a provision for this contingent liability was made.

As at the date of this report, the arbitration was still in progress. Therefore, the provision for this contingent liability of RMB0.91 million (equivalent to HK\$1.10 million) remained as at 30 June 2021.

# Management Discussion and Analysis

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

For the six months ended 30 June 2021, the Group had not made any material acquisition or disposal of subsidiaries, associates or joint ventures.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of any interim dividend to the shareholders of the Company for the six months ended 30 June 2021.

## **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 2021, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

At no time during the period ended 30 June 2021 was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# Management Discussion and Analysis

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

As at 30 June 2021, the interests or short positions of any person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long position in Shares

Name	Interests in shares other than pursuant to equity derivatives (and capacity)	Aggregate long position	Approximate percentage of the Company's issued voting share
Famous Ever Group Limited	558,000,000 ordinary Shares (beneficial owner)	558,000,000 ordinary Shares	44.70%
Tianjin Food Group Co. Ltd. (天津食品集團有限公司) ("Tianjin Food") (Note 1)	558,000,000 ordinary Shares (interest in a controlled corporation)	558,000,000 ordinary Shares	44.70%
Tsinlien Group Company Limited ("Tsinlien") (Note 2)	21,922 ordinary Shares (beneficial owner)	21,922 ordinary Shares	0.01%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai") (Note 2)	558,021,922 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings") (Note 2)	558,021,922 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("Tianjin TEDA") (Note 2)	558,021,922 ordinary Shares (interest in a controlled corporation)	558,021,922 ordinary Shares	44.71%
Remy Pacifique Limited (Note 3)	336,528,000 ordinary Shares (beneficial owner)	336,528,000 ordinary Shares	26.96%
Remy Concord Limited (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Remy Cointreau Services S.A.S. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Remy Cointreau S.A. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Orpar S.A. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%
Andromede S.A.S. (Note 3)	336,528,000 ordinary Shares (interest in a controlled corporation)	336,528,000 ordinary Shares	26.96%

# Management Discussion and Analysis

## Notes:

- (1) Famous Ever Group Limited is a direct wholly-owned subsidiary of Tianjin Food. By virtue of the SFO, Tianjin Food is deemed to be interested in the same parcel of Shares in which Famous Ever Group Limited is interested.
- (2) Tianjin Food and Tsinlien are both wholly-owned subsidiaries of Bohai which is wholly-owned by Tsinlien Investment Holdings, which in turn is wholly-owned by Tianjin TEDA. By virtue of the SFO, Tianjin TEDA, Tsinlien Investment Holdings and Bohai are deemed to be interested in the same parcel of Shares in which Tianjin Food and Tsinlien are interested. Tianjin TEDA is ultimately wholly-owned by Tianjin Municipal People's Government of the PRC, which is the ultimate beneficial owner of Tianjin Food. Mr. Wan Shoupeng, an executive Director and chairman of the Company, is also a director, chairman and general manager of Tianjin Food. Mr. Li Guanghe, an executive Director and general manager of the Company, is also an executive director of Tianjin Heavenly Palace Winery Company Limited (天津天宮葡萄釀酒有限公司) ("**Tianjin Heavenly Palace**"), a subsidiary of Tianjin Food. Mr. Huang Manyou, an executive Director, is also a director of Tianjin Haihe Dairy Company Limited (天津海河乳業有限公司), Tianjin Wang Chao United Holding Company Limited (天津市王朝聯合實業有限公司) and Liaoning Wang Chao Wunushan Icewine Company Limited (遼寧王朝五女山冰酒莊有限公司) and a general manager of Tianjin Heavenly Palace, all being subsidiaries of Tianjin Food.
- (3) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 48% of the voting power at general meetings of Remy Cointreau S.A.. Orpar S.A. is also entitled to exercise or control the exercise of approximately 72% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 18% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Orpar S.A.. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A.S. is deemed to be interested in the Shares held by Remy Pacifique Limited. Mr. Heriard-Dubreuil Francois, a non-executive Director, who is also a director and/or an employee of Andromede S.A.S., Orpar S.A., Remy Cointreau S.A., Remy Concord Limited and Remy Pacifique Limited.

Apart from the aforesaid, as at 30 June 2021, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

As at 30 June 2021, save as disclosed above, none of the Directors is a director or employee of a company having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

# Management Discussion and Analysis

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any 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 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the code for Directors’ securities transactions (the “**Model Code**”). The Company has made specific enquiry of all Directors and that all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors’ securities transactions throughout the six months ended 30 June 2021.

## CORPORATE GOVERNANCE

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period under review, none of the Directors was aware of any information that would reasonably indicate that the Company was not in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021. 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 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 2021.

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

Hong Kong, 23 August 2021

# ***Financial Section***

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# Condensed Consolidated Income Statement

For the six months ended 30 June 2021

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Revenue from contracts with customers	5	<b>179,632</b>	89,886
Cost of sales of goods		<b>(111,851)</b>	(63,251)
<b>Gross profit</b>		<b>67,781</b>	26,635
Other income, other gains and losses – net		<b>459</b>	245,671
Distribution costs		<b>(28,553)</b>	(27,658)
Administrative expenses		<b>(21,526)</b>	(41,526)
<b>Operating profit</b>	6	<b>18,161</b>	203,122
Finance income		<b>1,376</b>	753
Finance costs		<b>(156)</b>	(69)
Finance income – net		<b>1,220</b>	684
<b>Profit before income tax</b>		<b>19,381</b>	203,806
Income tax expense	7	<b>(7)</b>	(61,211)
<b>Profit for the period</b>		<b>19,374</b>	142,595
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>19,485</b>	142,681
Non-controlling interests		<b>(111)</b>	(86)
		<b>19,374</b>	142,595
		<b>HK cents</b>	<i>HK cents</i>
<b>Earnings per share attributable to owners of the Company for the period</b>			
– Basic and diluted earnings per share	9	<b>1.6</b>	11.4

The Notes on pages 27 to 40 are an integral part of these condensed financial information.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

Unaudited  
Six months ended 30 June

	2021 HK\$'000	2020 HK\$'000
<b>Profit for the period</b>	<b>19,374</b>	142,595
<b>Other comprehensive income/(loss):</b> <i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>3,294</b>	(3,774)
<b>Total comprehensive income for the period</b>	<b>22,668</b>	138,821
<b>Total comprehensive income for the period is attributable to:</b>		
– Owners of the Company	<b>22,574</b>	138,818
– Non-controlling interests	<b>94</b>	3
	<b>22,668</b>	138,821

The Notes on pages 27 to 40 are an integral part of these condensed financial information.

# Condensed Consolidated Balance Sheet

As at 30 June 2021

	Notes	As at	
		30 June 2021 Unaudited HK\$'000	31 December 2020 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	68,164	70,835
Right-of-use assets	11	20,159	21,460
Investment in an associate	12	-	-
Deferred income tax assets		-	-
<b>Total non-current assets</b>		<b>88,323</b>	92,295
<b>Current assets</b>			
Trade receivables	13	46,456	29,124
Notes receivable	14	2,028	13,897
Other receivables		11,577	9,064
Prepayments		9,449	2,728
Inventories		201,115	257,315
Cash and cash equivalents	15	237,378	182,541
<b>Total current assets</b>		<b>508,003</b>	494,669
<b>Total assets</b>		<b>596,326</b>	586,964
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,175	2,094
<b>Current liabilities</b>			
Trade payables	18	84,046	94,531
Contract liabilities		67,643	96,242
Other payables and accruals		201,276	174,182
Provisions for contingent liabilities		2,769	2,738
Lease liabilities		1,592	2,020
<b>Total current liabilities</b>		<b>357,326</b>	369,713
<b>Total liabilities</b>		<b>358,501</b>	371,807

# Condensed Consolidated Balance Sheet

As at 30 June 2021

	Notes	As at	
		30 June 2021 Unaudited HK\$'000	31 December 2020 Audited HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	16	124,820	124,820
Other reserves	17	1,163,544	1,160,455
Accumulated losses		(1,068,116)	(1,087,601)
Capital and reserves attributable to owners of the Company		220,248	197,674
Non-controlling interests		17,577	17,483
<b>Total equity</b>		<b>237,825</b>	215,157
<b>Total equity and liabilities</b>		<b>596,326</b>	586,964

The Notes on pages 27 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 2021

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000 (Note 17)	Accumulated losses HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2020</b>	124,820	1,144,819	(1,203,979)	65,660	17,066	82,726
<b>Comprehensive income/(loss)</b>						
Profit/(loss) for the period	-	-	142,681	142,681	(86)	142,595
<b>Other comprehensive (loss)/income</b>						
Currency translation differences	-	(3,863)	-	(3,863)	89	(3,774)
<b>Total comprehensive (loss)/income</b>	-	(3,863)	142,681	138,818	3	138,821
<b>Balance at 30 June 2020</b>	124,820	1,140,956	(1,061,298)	204,478	17,069	221,547
<b>Balance at 1 January 2021</b>	124,820	1,160,455	(1,087,601)	197,674	17,483	215,157
<b>Comprehensive income/(loss)</b>						
Profit/(loss) for the period	-	-	19,485	19,485	(111)	19,374
<b>Other comprehensive income</b>						
Currency translation differences	-	3,089	-	3,089	205	3,294
<b>Total comprehensive income</b>	-	3,089	19,485	22,574	94	22,668
<b>Balance at 30 June 2021</b>	124,820	1,163,544	(1,068,116)	220,248	17,577	237,825

The Notes on pages 27 to 40 are an integral part of these condensed financial information.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021

## Unaudited Six months ended 30 June

	2021 HK\$'000	2020 HK\$'000
Net cash generated from/(used in):		
– operating activities	52,794	(44,846)
– investing activities	(873)	(76)
– financing activities	(1,389)	(4,782)
Net increase/(decrease) in cash and cash equivalents	50,532	(49,704)
Cash and cash equivalents at 1 January	182,129	157,932
Changes in exchange rate	4,300	113
Cash and cash equivalents at 30 June	236,961	108,341

The Notes on pages 27 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 Rooms E and F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and sale of wine products.

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

The condensed consolidated interim financial information were approved for issue by the Board on 23 August 2021. 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 2021 are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as applicable disclosure requirements of Appendix 16 to the 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The accounting treatments, accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of amendments to HKFRSs which effective for the financial year beginning on or after 1 January 2021.

Except as disclosed below, there are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

# Notes to the Condensed Financial Information

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

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

Except as described below, the accounting policies applied are consistent with those of the 2020 annual consolidated financial statements as described therein.

#### ***Amended standards and interpretation 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 2021:

<b>Standards</b>	<b>Subject</b>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest rate benchmark reform – Phase 2

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

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

There have been no changes in any risk management policies.

# Notes to the Condensed Financial Information

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 3.3 Other risk factors and fair value estimation

All other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

## 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 2020.

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

# Notes to the Condensed Financial Information

## 5 SEGMENT INFORMATION

In accordance with the Group's internal reporting, the chief operating decision-maker considers the business from product perspective and has determined the operating segments to be red wines, white wines and all other products primarily related to the sale of sparkling wines, brandy and icewine. The executive Directors assess the performance of the operating segments based on gross profit. All revenue of the Group is from external customers.

	<b>Unaudited</b>			<b>Total</b> <i>HK\$'000</i>
	<b>Red wines</b> <i>HK\$'000</i>	<b>White wines</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	
<b>Six months ended 30 June 2021</b>				
<b>Revenue from contracts with customers</b>	<b>104,483</b>	<b>73,231</b>	<b>1,918</b>	<b>179,632</b>
<b>Gross profit</b>	<b>41,134</b>	<b>25,691</b>	<b>956</b>	<b>67,781</b>
<b>Unallocated items:</b>				
Depreciation of property, plant and equipment				<b>(2,477)</b>
Depreciation of right-of-use assets				<b>(1,273)</b>
<b>Six months ended 30 June 2020</b>				
<b>Revenue from contracts with customers</b>	57,061	31,138	1,687	89,886
<b>Gross profit</b>	17,090	9,500	45	26,635
<b>Unallocated items:</b>				
Depreciation of property, plant and equipment				(2,997)
Depreciation of right-of-use assets				(1,652)



## Notes to the Condensed Financial Information

### 5 SEGMENT INFORMATION (continued)

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Gross profit for reportable segments	<b>67,781</b>	26,635
Other income, other gains and losses – net	<b>459</b>	245,671
Distribution costs	<b>(28,553)</b>	(27,658)
Administrative expenses	<b>(21,526)</b>	(41,526)
Operating profit	<b>18,161</b>	203,122
Finance income – net	<b>1,220</b>	684
Profit before income tax	<b>19,381</b>	203,806

The amounts of total assets and liabilities for each reportable segment are not regularly provided to the chief operating decision maker.

The Group's customer base is diversified and no external customers (2020: Nil) with whom transactions have exceeded 10% of the Group's revenues. 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	
	2021 HK\$'000	2020 HK\$'000
Employee costs comprising:		
– salaries, other allowance and benefits ( <i>Note (a)</i> )	24,610	46,433
– contributions to retirement benefits scheme	2,580	1,559
Total employee costs including directors' emoluments	27,190	47,992
Gain on disposal of chateau and related facilities included under other income, other gains and losses – net ( <i>Note (b)</i> )	–	(244,944)
Depreciation of property, plant and equipment	2,477	2,997
Depreciation of right-of-use assets	1,273	1,652
Loss on disposal of property, plant and equipment	100	–
Impairment allowance of inventories	382	–

*Notes:* (a) Salaries, other allowance and benefit included the payment of employee compensation due to the implementation of employee reform plan of HK\$nil (2020: HK\$13,349,000).

(b) The disposal of the land use rights and aboveground buildings covering a chateau and the related facilities at a total consideration of RMB400 million was completed on 23 January 2020. The related gain on the Disposal of HK\$244,944,000 was recognised in the profit or loss for the six months ended 30 June 2020.

## 7 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current income tax:		
Corporate income tax	7	1
Land appreciation tax	–	61,210
Deferred income tax	7	61,211
Income tax expense	7	61,211

# Notes to the Condensed Financial Information

## 7 INCOME TAX EXPENSE *(continued)*

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

Provision for the PRC income tax has been made at the applicable rate on the estimated assessable profit for the period for each of the Group's subsidiaries. The applicable rate is principally 25% (2020: 25%).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. Land appreciation tax is included in the income statement as income tax expense.

## 8 DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2021 (2020: 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\$19,485,000 (2020: HK\$142,681,000) and the weighted average number of 1,248,200,000 Shares in issue during the six months ended 30 June 2021 (2020: 1,248,200,000 Shares).

As the Group has no dilutive instruments during the six months ended 30 June 2021 and 2020, the Group's diluted earnings per Share equal to its basic earnings per Share for the six months ended 30 June 2021 and 2020.

## 10 CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the six months ended 30 June 2021, the Group acquired plant and equipment amounting to approximately HK\$0.9 million (six months ended 30 June 2020: HK\$0.1 million). Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities for property, plant and equipment were approximately HK\$1,930,000 (31 December 2020: HK\$nil).

## 11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group did not recognise any addition of right-of-use assets (31 December 2020: assets recognised with a cost of approximately HK\$3.1 million) and the depreciation of right-of-use assets recognised in unaudited condensed consolidated income statement was approximately HK\$1.3 million (2020: approximately HK\$1.7 million).

# Notes to the Condensed Financial Information

## 12 INVESTMENT IN AN ASSOCIATE

Set out below are details of the associate of the Group as at 30 June 2021 and 31 December 2020. 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/PRC	25	Associate	Equity method	-	-

\* Private entity-no quoted price available.

As at 30 June 2021, the Group held a 25% (2020: 25%) equity interest of Yuma, an unlisted company established and operating in the PRC as manufacturer and distributor of unprocessed wines with a paid up ordinary share capital of RMB40 million.

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

# Notes to the Condensed Financial Information

## 13 TRADE RECEIVABLES

The Group granted a credit period of 90 days (31 December 2020: 90 days) to its customers. The ageing analysis of the trade receivables is as follows:

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
Up to 90 days	<b>36,218</b>	22,158
More than 30 days past due	<b>5,055</b>	6,472
More than 90 days past due	<b>6,040</b>	909
More than 270 days past due	<b>18,912</b>	19,129
	<b>66,225</b>	48,668
Less: Bad debt provision	<b>(19,769)</b>	(19,544)
Trade receivables – net	<b>46,456</b>	29,124

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\$225,000 to HK\$19,769,000 during the current reporting period

# Notes to the Condensed Financial Information

## 14 NOTES RECEIVABLE

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
Bank acceptance notes	<b>2,028</b>	13,897

As of 30 June 2021, notes receivable amounted to HK\$2,028,000 (31 December 2020: HK\$6,768,000) and nil (31 December 2020: HK\$7,129,000) were bank acceptance notes with maturity date within 6 months and 12 months respectively, which were classified as financial assets at fair value through other comprehensive income.

## 15 CASH AND CASH EQUIVALENTS

### (i) Restricted cash

The cash and cash equivalents included restricted cash of HK\$417,000 (31 December 2020: HK\$412,000) held by the Group. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

### (ii) Cash and cash equivalents in cash flow statement

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
Cash at bank and in hand	<b>236,961</b>	182,129

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

# Notes to the Condensed Financial Information

## 16 SHARE CAPITAL

	Number of Shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>
As at 31 December 2020 (audited)	1,248,200	124,820
As at 30 June 2021 (unaudited)	1,248,200	124,820

## 17 OTHER RESERVES

	Unaudited					Total <i>HK\$'000</i>
	Share premium <i>HK\$'000</i> <i>(Note i)</i>	Merger reserve <i>HK\$'000</i> <i>(Note ii)</i>	Reserve fund <i>HK\$'000</i> <i>(Note iii)</i>	Enterprise expansion fund reserve <i>HK\$'000</i> <i>(Note iii)</i>	Exchange reserve <i>HK\$'000</i> <i>(Note iv)</i>	
As at 1 January 2020	464,464	74,519	158,928	94,434	352,474	1,144,819
Currency translation differences	-	-	-	-	(3,863)	(3,863)
As at 30 June 2020	464,464	74,519	158,928	94,434	348,611	1,140,956
As at 1 January 2021	<b>464,464</b>	<b>74,519</b>	<b>158,928</b>	<b>94,434</b>	<b>368,110</b>	<b>1,160,455</b>
Currency translation differences	-	-	-	-	3,089	3,089
As at 30 June 2021	<b>464,464</b>	<b>74,519</b>	<b>158,928</b>	<b>94,434</b>	<b>371,199</b>	<b>1,163,544</b>

# Notes to the Condensed Financial Information

## 17 OTHER RESERVES (continued)

Notes:

### (I) SHARE PREMIUM

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

### (II) MERGER RESERVE

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

### (III) RESERVE FUND AND ENTERPRISE EXPANSION FUND RESERVE

According to the Articles of Association of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory financial statements should be transferred to reserve fund and enterprise expansion fund reserve. The percentage of appropriation may be determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion fund reserve can be used for expansion of production facilities or increase in registered capital. For the six months ended 30 June 2021 and 2020, there was no net profit for appropriation.

### (IV) EXCHANGE RESERVE

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

## 18 TRADE PAYABLES

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

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
0-30 days	<b>13,934</b>	55,031
31-90 days	<b>387</b>	592
91-180 days	<b>9,116</b>	149
Over 180 days	<b>60,609</b>	38,759
	<b>84,046</b>	94,531

# Notes to the Condensed Financial Information

## 19 RELATED PARTY TRANSACTIONS

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>(a) Key management compensation</b>		
Key management includes Directors (executive and non-executive), the company secretary and the senior management. The compensation paid or payable to key management for employee services is shown below:		
Short-term employee benefits	<b>2,225</b>	2,973
Long-term benefits	<b>154</b>	96
Total	<b>2,379</b>	3,069
<b>(b) Transaction with other related parties (note)</b>		
(i) Sales of goods		
– Tianjin Food and its subsidiaries and associates	<b>1,038</b>	–
(ii) Purchases of goods and services:		
– Tianjin Food and its subsidiaries and associates	<b>3,856</b>	–
– Tsinlien Group and its subsidiaries and associates	<b>–</b>	138

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

Note: Relationship with the major related parties are as follow:

<b>Related parties</b>	<b>Relationship</b>
Tianjin Food	Intermediate controlling shareholder of the Company from 9 September 2020
Tsinlien Group	Intermediate controlling shareholder of the Company up to 8 September 2020

# Notes to the Condensed Financial Information

## 19 RELATED PARTY TRANSACTIONS (continued)

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
<b>(c) Outstanding balances arising from sales of goods</b>		
Current receivables to related parties		
– Tianjin Food and its subsidiaries and associates	<b>501</b>	498
<b>(d) Outstanding balances arising from purchases of goods and services</b>		
(i) Current payables to related parties		
– Tianjin Food and its subsidiaries and associates	<b>15,792</b>	19,119
– Tsinlien Group and its subsidiaries and associates	–	3,748
The payables to related parties bore no interest.		
(ii) Prepayment to related parties		
– Tianjin Food and its subsidiaries and associates	–	355
– Tsinlien Group and its subsidiaries and associates	–	68
<b>(e) Outstanding balances arising from transfer of debt</b>		
Current payables to related parties		
– Tianjin Food and its subsidiaries and associates	<b>12,018</b>	11,882