



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)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the “Directors”) of Dynasty Fine Wines Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008. These results have been reviewed by the Company’s Audit Committee. All Audit Committee members, including the chairman of the committee are independent non-executive directors. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2008 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

CONSOLIDATED INCOME STATEMENT

| | | Unaudited | |
|--|-------------|---------------------------------|------------------------|
| | | Six months ended 30 June | |
| | | 2008 | 2007 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Turnover | 6 | 725,247 | 662,324 |
| Cost of sales | | (337,977) | (324,898) |
| Gross profit | | 387,270 | 337,426 |
| Other gains | 6 | 17,217 | 19,802 |
| Distribution costs | | (194,120) | (168,274) |
| General and administrative expenses | | (44,390) | (48,884) |
| Operating profit | 7 | 165,977 | 140,070 |
| Share of profit of an associate | | 37 | 3 |
| Profit before income tax | | 166,014 | 140,073 |
| Income tax expense | 8 | (45,118) | (39,740) |
| Profit for the period | | <u>120,896</u> | <u>100,333</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 120,067 | 100,048 |
| Minority interests | | 829 | 285 |
| | | <u>120,896</u> | <u>100,333</u> |
| Dividends | 9 | <u>43,575</u> | <u>44,820</u> |
| Earnings per share | | <i>HK cents</i> | <i>HK cents</i> |
| — Basic and diluted earnings per share | 10 | <u>9.6</u> | <u>8.0</u> |

CONSOLIDATED BALANCE SHEET

| | | As at | |
|--|-------------|-----------------------|---------------------|
| | | 30 June 2008 | 31 December 2007 |
| | <i>Note</i> | Unaudited HK\$'000 | Audited HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 432,652 | 361,928 |
| Land use rights | | 64,754 | 61,698 |
| Interest in an associate | | 13,372 | 12,536 |
| Goodwill | | 9,421 | 9,421 |
| Deferred income tax assets | | 1,461 | 1,373 |
| | | <u>521,660</u> | <u>446,956</u> |
| Current assets | | | |
| Trade receivables | <i>11</i> | 97,195 | 106,504 |
| Other receivables, deposits and prepayments | | 32,771 | 61,428 |
| Inventories | | 432,898 | 422,564 |
| Cash and bank balances | | 968,002 | 830,346 |
| | | <u>1,530,866</u> | <u>1,420,842</u> |
| Total assets | | <u>2,052,526</u> | <u>1,867,798</u> |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders: | | | |
| Share capital | | 124,500 | 124,500 |
| Other reserves | | 1,201,231 | 1,115,891 |
| Retained earnings | | 426,444 | 320,225 |
| | | <u>1,752,175</u> | <u>1,560,616</u> |
| Minority interests | | 35,548 | 32,616 |
| Total equity | | <u>1,787,723</u> | <u>1,593,232</u> |

| | | As at | |
|---------------------------------------|-------------|------------------|---------------------|
| | | 30 June 2008 | 31 December 2007 |
| | | Unaudited | Audited |
| | <i>Note</i> | <i>HK\$'000</i> | HK\$'000 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 12 | 67,722 | 44,121 |
| Other payables and accruals | | 190,922 | 218,703 |
| Current income tax liabilities | | 6,159 | 11,742 |
| | | <u>264,803</u> | <u>274,566</u> |
| Total liabilities | | <u>264,803</u> | <u>274,566</u> |
| Total equity and liabilities | | <u>2,052,526</u> | <u>1,867,798</u> |
| Net current assets | | <u>1,266,063</u> | <u>1,146,276</u> |
| Total assets less current liabilities | | <u>1,787,723</u> | <u>1,593,232</u> |

Notes:

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. The Company together with its subsidiaries are hereafter collectively referred to as the Group.

The Group produces and sells wine products, through a network of distributors. The Group mainly operates in PRC and Hong Kong with a registered office in Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal address of the Company is Suite 5506, 55/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The condensed financial statements were approved for issue on 10 September 2008.

2 Basis of preparation and accounting policies

These unaudited condensed financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed financial statements should be read in conjunction with the Company’s 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007, except that the Company changed its functional currency to HK dollars at the beginning of the period and the Group adopted the following new interpretations for the accounting period beginning on or after 1 January 2008:

| | |
|------------------|--|
| HK(IFRIC)-Int 11 | HKFRS 2 — Group and treasury share transactions |
| HK(IFRIC)-Int 12 | Service concession arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction |

The adoption of these new interpretations do not have a significant impact on the Group's results and financial position.

The Group has not adopted the following new/revised standards, amendments and interpretations that have been issued but are not effective for the period ended 30 June 2008. The Group is in the process of assessing the impact of these changes and they do not expect these changes to have a significant impact on the Group's results and financial position.

| | |
|---------------------|--|
| HKAS 1 (Revised) | Presentation of financial statements |
| HKAS 23 (Amendment) | Borrowing costs |
| HKAS 27 (Revised) | Consolidated and separate financial statements |
| HKFRS 2 (Amendment) | Share-based payment — Vesting conditions and cancellations |
| HKFRS 3 (Revised) | Business combinations |
| HKFRS 8 | Operating segments |
| HK(IFRIC)-Int 13 | Customer loyalty programmes |
| HK(IFRIC)-Int 15 | Agreements for the construction of real estate |
| HK(IFRIC)-Int 16 | Hedges of a net investment in a foreign operation |

3 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2007.

4 Critical accounting estimates and assumptions

Estimates and judgements used are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

The estimates and assumptions applied in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

5 Segment information

Production and sale of wine products is the only business segment of the Group for the periods ended 30 June 2008 and 2007. No geographical analysis is provided as less than 10% of the consolidated turnover, consolidated results and operating assets of the Group are attributable to markets other than the PRC.

6 Turnover and other gains

The Group is principally engaged in the production and sale of wine products. Revenue and other gains recognised during the period are as follows:

| | Unaudited | |
|--------------------------------------|--------------------------|----------|
| | Six months ended 30 June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Production and sale of wine products | 725,247 | 662,324 |
| Other gains | | |
| Interest income | 11,490 | 14,751 |
| Government grants | 5,727 | 5,051 |
| | 17,217 | 19,802 |
| Total revenue and other gains | 742,464 | 682,126 |

7 Operating profit

Operating profit is stated after charging:

| | Unaudited | |
|--|--------------------------|----------|
| | Six months ended 30 June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Employee costs including directors' emoluments | 33,969 | 31,220 |
| Depreciation | 22,513 | 17,935 |
| Amortisation | 844 | 1,974 |
| Operating lease rentals in respect of: | | |
| — transformation station | 1,189 | 1,091 |
| — office premises | 1,131 | 713 |

8 Income tax expense

| | Unaudited | |
|--------------------------------|--------------------------|---------------|
| | Six months ended 30 June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Current taxation: | | |
| — PRC income tax | 44,879 | 37,815 |
| — withholding tax | 239 | — |
| — underprovision in prior year | — | 1,925 |
| | <u>45,118</u> | <u>39,740</u> |

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

Provision for 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% (2007: 24%, being the preferential rate for foreign investment production enterprises established in a coastal economic development zone).

9 Dividends

| | Unaudited | |
|--|--------------------------|---------------|
| | Six months ended 30 June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| 2007 final paid, of HK1.2 cents (2006 final paid, of HK1.2 cents) per ordinary share | 14,940 | 14,940 |
| 2008 interim declared of HK3.5 cents (2007: HK3.6 cents) per ordinary share (<i>Note</i>) | <u>43,575</u> | <u>44,820</u> |
| | <u>58,515</u> | <u>59,760</u> |

Note:

On 10 September 2008, the board of directors declared an interim dividend of HK3.5 cents per ordinary share. This declared dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2008.

10 Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$120,067,000 (2007: HK\$100,048,000) and the weighted average number of 1,245,000,000 shares in issue during the six months to 30 June 2008 (2007: As for 2008).

The exercise of share options would have no material dilutive effect of earnings per share for the six months ended 30 June 2008 (2007: As for 2008).

11 Trade receivables

The Group generally grants a credit period of 30 to 180 days to its customers. The aging analysis of the trade receivables is as follows:

| | Unaudited 30 June 2008 <i>HK\$'000</i> | Audited 31 December 2007 <i>HK\$'000</i> |
|--------------------------------|--|--|
| Below 30 days | 91,394 | 55,610 |
| 30 to 90 days | 1,589 | 21,829 |
| 91 to 180 days | 2,061 | 27,498 |
| Over 180 days | 3,261 | 2,610 |
| | <hr/> | <hr/> |
| | 98,305 | 107,547 |
| Less: Provision for impairment | (1,110) | (1,043) |
| | <hr/> | <hr/> |
| | 97,195 | 106,504 |
| | <hr/> <hr/> | <hr/> <hr/> |

12 Trade payables

The aging analysis of the trade payables is as follows:

| | Unaudited 30 June 2008 <i>HK\$'000</i> | Audited 31 December 2007 <i>HK\$'000</i> |
|----------------|--|--|
| Below 30 days | 65,703 | 40,351 |
| 91 to 180 days | — | 1,562 |
| Over 180 days | 2,019 | 2,208 |
| | <hr/> | <hr/> |
| | 67,722 | 44,121 |
| | <hr/> <hr/> | <hr/> <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group had a turnover of HK\$725 million (2007 — HK\$662 million) for the six months ended 30 June 2008, representing an increase of 10% as compared with the same period last year and profit attributable to equity holders of the Company was HK\$120 million (2007 — HK\$100 million), representing an increase of 20%.

For the six months ended 30 June 2008, earnings per share of the Company (“Share”) amounted to HK9.6 cents (2007 — HK8.0 cents) per Share based on the weighted average number of 1,245,000,000 (2007 — 1,245,000,000) Shares in issue during the period. The exercise of share options would have no material dilutive effect of earnings per share for the six months ended 30 June 2008.

The earnings growth in the first half of 2008 was primarily attributable to the increase in gross profit as a result of stable sales volume and improvement of the gross profit margin. As a reflection of the strong financial position and generally positive outlook of the Group’s business, the Directors have resolved to pay an interim dividend of HK3.5 cents (2007 — HK3.6 cents) per Share.

Financial review

Turnover

Turnover of the Group represents proceeds from sale of wine products. It increased by 10% to HK\$725 million in the first half of 2008 from HK\$662 million for the corresponding period in 2007. The growth in turnover was due to impact of Renminbi appreciation, and a slight increase in sales volume and average ex-winery sales prices of products.

The average ex-winery sales price of red and white wine products during the period under review was slightly higher than the average price of HK\$23.0 per bottle (750ml) in 2007 as a result of increase in average ex-factory sales price of certain selected grape wine products in the second quarter of 2008. Since consumers in the PRC have a prevalent preference for red wines, the Group was able to set higher prices for its red wine products and therefore the average ex-winery sales price of the Group’s red wine products are generally higher than its white wine products.

Cost of sales

The following table sets forth the major components of cost of sales for the period under review:

| | For the six months ended 30 June | |
|-----------------------------|---|-------------|
| | 2008 | 2007 |
| | % | % |
| Cost of raw materials | | |
| — Grapes and grape juice | 36 | 38 |
| — Yeast and additives | 2 | 2 |
| — Packaging materials | 27 | 26 |
| — Others | 2 | 2 |
| | <hr/> | <hr/> |
| Total cost of raw materials | 67 | 68 |
| Manufacturing overheads | 12 | 12 |
| Consumption tax | 21 | 20 |
| | <hr/> | <hr/> |
| Total cost of sales | 100 | 100 |
| | <hr/> <hr/> | <hr/> <hr/> |

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. The cost of grapes and grape juice accounted for approximately 36% of the Group's total cost of sales, representing a decrease of 2% from approximately 38% in the corresponding period in 2007, contributed by the decrease in average cost of grapes and grape juice. The total cost of packaging materials increased during the period under review as compared with the corresponding period in 2007 primarily due to an increase in our purchase costs as a result of rise in raw material costs from suppliers.

Manufacturing overheads consist primarily of depreciation, rental of fixed assets, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental production expenses. Manufacturing overheads as a percentage of turnover remained stable during the period under review as compared with the corresponding period in 2007.

Gross profit margin

Calculated based on cost of sales inclusive of consumption tax and gross invoiced sales, the overall gross profit margin of the Group increased to 53.4% for the six months ended 30 June 2008, from 50.9% for the corresponding period in 2007. The increase was mainly the result of lower purchase cost of grape juice as compared with the first half year of 2007. The gross margin of red wine products

and white wine products in the first half year of 2008 were 54.7% and 42.5% respectively (2007 — 51.6% and 42.4% respectively). The higher sales prices of red wine products explained the higher gross margin of the products.

Other gains

Other gains for the six months ended 30 June 2008 dropped by 13% to HK\$17.2 million (2007 — HK\$19.8 million), mainly attributable to:

- (1) Decrease in interest income from lower interest rates for bank deposits; which was offset by
- (2) A government grant of HK\$5.7 million (2007 — HK\$5.1 million) to a subsidiary in the PRC to encourage technological development and improvement in winemaking.

Distribution costs

Distribution costs mainly include advertising and market promotion expenses, transportation and delivery charges in connection with sales of grape wine products, salaries and related personnel expenses for the sales and marketing department and other incidental expenses. Distribution costs increased and accounted for approximately 26.8% (2007 — 25.4%) of the Group's turnover for the six months ended 30 June 2008. In particular, advertising and market promotion expenses accounted for approximately 18.3% (2007 — 16.4%) of the Group's turnover. The surge in distribution costs was primarily attributable to the increase in advertising and promotion fees which were incurred to boost market demand and expand market share outside Eastern region of the PRC.

General and administrative expenses

General and administrative expenses primarily comprise of salaries and related personnel expenses for administrative, finance and human resources departments, exchange loss, depreciation and amortisation expense and other incidental administrative expenses.

During the period under review, general and administrative expenses as a percentage of the Group's turnover decreased to 6.1% from 7.4% for the corresponding period last year. The decrease in general and administrative expenses was mainly because there was no functional currency exchange loss (2007 — HK\$11 million) as the Company had changed its functional currency to Hong Kong dollar subsequent to more sales and marketing activities undertaken in Hong Kong and Macau markets.

Taxation expense

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its subsidiaries incorporated in the BVI is subject to tax on its income or capital gains. In addition, any payment of dividends is not subject to withholding tax in those jurisdictions.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. As a result, the enterprise income tax rate of all the subsidiaries of the Company incorporated in the PRC had changed from either 24% or 30% to 25% with effect from 1 January 2008. During the period under review, the effective tax rate of the Group decreased to approximately 27.2% (2007 — 28.4%), mainly because there was no functional currency exchange loss which was non-tax deductible expense.

Cash flow

In the first half year of 2008, operating activities were the Group's main source of cash flow. Cash was used mainly to pay for acquisition of plant and equipment and 2007 final dividends to shareholders.

The increase in cash inflow from operating activities from HK\$148.7 million in the first half year of 2007 to HK\$176.3 million in the first half year of 2008 was primarily attributable to the increase in gross profit and the effects of the changes in working capital, mainly decrease in other receivables, deposits and prepayments.

Net cash used in investing activities amounting to approximately HK\$57.0 million (2007 — HK\$13.4 million) was primarily spent on acquisition of plant and equipment pursuant to our expansion plan, less interest income.

Net cash outflow in financing activities constituted primarily of payment of dividends to shareholders of approximately HK\$14.9 million (2007 — HK\$14.9 million).

Financial management and treasury policy

As at 30 June 2008, except for the net proceeds from its placing and public offer, the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). The Group has progressively remitted the net proceeds from Hong Kong to the PRC and converted them into RMB shortly after remittance. The remaining unremitted net proceeds from the placing and public offer in 2005 that were not used for the intended purposes have been placed on short-term deposits (denominated in US dollars or Hong Kong dollars) with authorised financial institutions in Hong Kong. The Company also pays dividends in Hong Kong dollars. The Company does not implement any hedging or other derivatives. Maintaining sufficient financial resources and in a net cash position, the Group is exposed to minimal financial risk from interest rate fluctuation.

The purpose of the Group's investment policy is to monitor investments of its uncommitted funds to ensure achievement of the highest practicable returns while heeding the need to preserve capital and assure liquidity.

Business review

Sales analysis

During the first half of 2008, sales volume of the Group grew only slightly as compared to the same period of 2007 because of keen competition in the market and poor consumption sentiment after Sichuan earthquakes and flooding in Southern region of the PRC in the second quarter of 2008. The number of bottles of wine sold increased from approximately 29.5 million in the first half year of 2007 to approximately 29.6 million in the first half year of 2008. The primary revenue source of the Group continued to be sales of red wine products which accounted for approximately 89.6% of its total turnover for the period (2007 — 93.2%). Dynasty Dry Red, the prototype of the Group's mass market product, remained as the best selling product accounting for approximately 36.1% of the Group's turnover (2007 — 40.2%).

During the period under review, the Group continued to reinforce and expand its nationwide distribution network and sold its products in all provinces and autonomous regions and four directly-administered municipalities under the central government of the PRC. Huadong region (i.e. the Eastern region of the PRC), which comprises Shanghai city, and Zhejiang and Jiangsu provinces continued to be the Group's primary markets. In addition to these primary markets, sales of our products in other domestic markets, such as Tianjin city, Fujian and Hubei provinces, etc. also grew. Export sales of the Group's products to overseas market, were insignificant at 0.1% (2007 — 0.2%) of the Group's total turnover during the period as the primary focus of the Group is the domestic market in the PRC.

We produce a diverse range of over 50 products under the "Dynasty" brand to meet different consumer needs with special focus on the medium to high end segments in the PRC grape wine market. During the period under review, sales of premium wine products, such as Dynasty Dry Red Wine — Aged in Oak Barrels, Dynasty Dry Red Wine — Reserve and Dynasty Premium Dry Red Wine — Aged in Oak Barrels, recorded encouraging growth. Although sales contribution of these products to our turnover was insignificant during the first half year of 2008, we believe these premium products will bring increasingly significant incomes to the Group and become a growth driver for it in the future. The Group recognizes the need for greater effort to drive high end sales to increase income as well as boost its brand image.

Supply of grapes or grape juice

Having sufficient supply of quality grapes or grape juice is crucial to ensuring the Group is able to put out consistently high quality products. We currently have over 10 major grape juice suppliers, mainly in Tianjin, Shandong, Hebei and Ningxia, with whom we have long-term and stable relationships. To ensure it has reliable and solid supply of quality grapes and grape juice to meet the needs of its growing business and fill expanding production capacity, the Group continues to work with grape growing partners to enlarge their existing vineyards so that they may enjoy better economies of scale

and help them adopt state-of-the-art techniques to improve quality. The Group has also kept identifying new suppliers who can meet its quality requirements. For new suppliers, the quality of their grape juice will be fully tested before orders are placed. Such measures ensure we have grape and grape juice supplies with stable quality and help to lower the risk of production being interrupted by bad harvest, thus affecting the supply of grapes or grape juice.

Production capacity

The Group expanded production capacity to 50,000 tonnes (equivalent to approximately 66.7 million bottles) per annum in 2006. To continue to boost capacity, it commenced construction of new production and research and development facilities in our Tianjin winery in 2007. The new production facility, expected to be completed by the end of 2008, will increase our annual production capacity to 70,000 tonnes (equivalent to approximately 93.3 million bottles). The enlarged production capacity will enable us to promptly respond to the booming market and consolidate our market position.

Outlook

Looking forward, the wine industry in the PRC is expected to grow strongly in the next few years driven by increasing per capita disposable income and improving living standards in the country, and PRC consumers becoming more health conscious and aware of benefit of drinking high quality wines in particular red and white wines. However, the lucrative market will also attract new entrants and become more and more competitive. The Group is making preparation to meet the challenges and provide steady and favourable returns to shareholders. It has measures in place to enhance margin, increase sales and marketing reach, effectively control distribution costs and improve performance measurement methods to motivate staff. The Group will strive to maintain the leading position of its wine products in the market with sustained and steady growth of its results.

In addition to pushing for maximum organic growth in the future, we will continue to identify and pursue acquisition opportunities that can bring synergies to all our businesses thereby help the Group generate greater value for shareholders.

Employees and remuneration policies

The Group employed a workforce of 404 (including Directors) in Hong Kong and the PRC. The total salaries and related costs incurred for the six months ended 30 June 2008 amounted to HK\$34.0 million. The Group offers competitive remuneration packages commensurate with industry level and provides various fringe benefits, including trainings, medical and insurance coverage as well as retirement benefits to all employees in Hong Kong and in the PRC. In addition, there was an incentive scheme which links the staff bonus to the sales and results of the Group, which effectively stimulated the initiatives of the staff. The Group reviews its human resource and remuneration policies regularly with reference to local legislations, market conditions, industry practices as well as its own performance and that of individual employees.

The Company also adopted a share option scheme on 6 December 2004 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of its operations. As at 30 June 2008, 18,700,000 share options were granted and outstanding under the scheme.

Liquidity and financial resources

As at 30 June 2008, the Group's unrestricted cash and bank balances amounted to HK\$968.0 million. It has net cash inflow from operating activities ample for satisfying working capital requirements of business operations and capital expenditures. New investment will be funded by the Group's internal resources.

Capital structure

The Group had no borrowings and was in a significant net cash position as at 30 June 2008, reflecting its sound capital structure. The net proceeds from the placing and public offer in 2005 had strengthened the Group's capital structure, giving it sufficient cash to support operating and capital expenditure requirements in the foreseeable future.

The market capitalisation of the Company as at 30 June 2008 was approximately HK\$1,706 million.

Gearing ratio

As at 30 June 2008, the Group had no long-term debts and a shareholders' fund of the Group amounted to approximately HK\$1,752 million. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, as at 30 June 2008 was nil (2007 — nil).

Capital commitments, contingencies and charges on assets

The Group made capital commitments including approximately HK\$90.0 million that were authorised but not contracted for and approximately HK\$29.2 million contracted but not provided for in the financial statements as at 30 June 2008. These commitments were mainly to support expansion of the Group's production capacity. The funding of such capital commitments will be paid using the listing proceeds as stated in the prospectus dated 17 January 2005.

As at 30 June 2008, the Group had no material contingent liabilities and the Group's assets were free from any charge.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had not made any other material acquisitions or disposal of subsidiaries and associated companies during the six months ended 30 June 2008.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK3.5 cents per Share. The interim dividend will be paid on 30 October 2008 to shareholders whose names appear on the Register of Members on 16 October 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 14 October 2008 to Thursday, 16 October 2008, both days inclusive, during which period no transfer of shares will be effected. To be entitled to receive the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:30 pm on Monday, 13 October 2008.

Purchase, Sale or Redemption of Shares of the Company

There were no purchases, sales or redemptions of the Company's Shares by the Company or any of its subsidiaries during the financial period under review.

Corporate Governance

The Company is committed to fulfilling its responsibilities to shareholders and aims to protect and enhance shareholder value through solid corporate governance. Considerable efforts are devoted to identifying and formalising best practices. The Group is committed to ensuring greater transparency and 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.

Throughout the financial period under review, basically as previously mentioned in our 2007 annual report, none of the Directors was aware of information that would reasonably indicate that the Company is not in compliance with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the Code A.2.1. This code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Bai Zhisheng was the chairman and general manager (which is equivalent to the chief executive officer) of the Company since the decease of the late Mr. Chen Naiming, the former general manager on 23 January 2008. In order to ensure the compliance with Code A.2.1, the Directors are in the process of recruiting a suitable candidate for the position of general manager. Mr. Bai will continue to assume the general manager's duties during this transitional period until the right candidate is identified.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All Directors had confirmed, following enquiry by the Company, that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2008.

Publication of Interim Results and Interim Report on the Website of the Company and of the Stock Exchange

The interim results announcement is published on the websites of the Company (www.dynasty-wines.com) and the Stock Exchange. The interim report containing all the information required by the Listing Rules will be dispatched to shareholders and will be available at the above websites in late September 2008.

By order of the Board
Mr. Bai Zhisheng
Chairman

Hong Kong, 10 September 2008

As at the date of this announcement, the board of directors comprises 1 executive director, namely, Mr. Bai Zhisheng, 5 non-executive directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Cheung Wai Ying, Benny, Mr. Zhang Wenlin, Mr. Wong Ching Chung and Mr. Robert Luc, and 3 independent non-executive directors, namely, Mr. Lai Ming, Joseph, Dr. Hui Ho Ming, Herbert and Mr. Chau Ka Wah, Arthur.