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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 828)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors (the “Directors”) of Dynasty Fine Wines Group Limited (the “Company”) announces herewith the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009. The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2009 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. These results have also been reviewed by the Audit Committee. All Audit Committee members, including the chairman of the committee are independent non-executive directors.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	687,400	725,247
Cost of sales		<u>(345,044)</u>	<u>(337,977)</u>
Gross profit		342,356	387,270
Other income	6	15,565	17,217
Distribution costs		(185,696)	(194,120)
Administrative expenses		<u>(40,586)</u>	<u>(44,390)</u>
Operating profit	7	131,639	165,977
Share of (loss)/profit of an associate		<u>(250)</u>	<u>37</u>
Profit before income tax		131,389	166,014
Income tax expense	8	<u>(33,931)</u>	<u>(45,118)</u>
Profit for the period		<u>97,458</u>	<u>120,896</u>
Attributable to:			
Equity holders of the Company		96,796	120,067
Minority interests		<u>662</u>	<u>829</u>
		<u>97,458</u>	<u>120,896</u>
Dividends	9	<u>34,860</u>	<u>43,575</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
— Basic and diluted earnings per share	10	<u>7.8</u>	<u>9.6</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	97,458	120,896
Other comprehensive income		
Currency translation differences	<u>79</u>	<u>87,943</u>
Total comprehensive income for the period	<u>97,537</u>	<u>208,839</u>
Total comprehensive income attributable to:		
Equity holders of the Company	96,875	205,907
Minority interests	<u>662</u>	<u>2,932</u>
	<u>97,537</u>	<u>208,839</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June 2009	31 December 2008
		Unaudited	Audited
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		445,970	440,302
Land use rights		62,985	63,787
Goodwill		9,421	9,421
Investment in an associate		<u>12,986</u>	<u>13,237</u>
		<u>531,362</u>	<u>526,747</u>
Current assets			
Trade receivables	11	110,339	84,093
Other receivables, deposits and prepayments		31,385	80,692
Inventories		454,150	462,655
Short-term deposits with maturity over three months		371,291	—
Restricted cash	12	59,297	—
Cash and cash equivalents		<u>556,073</u>	<u>999,006</u>
		<u>1,582,535</u>	<u>1,626,446</u>
Total assets		<u>2,113,897</u>	<u>2,153,193</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company:			
Share capital		124,500	124,500
Other reserves		1,147,864	1,172,589
Retained earnings		<u>529,727</u>	<u>431,782</u>
		<u>1,802,091</u>	<u>1,728,871</u>
Minority interests in equity		<u>24,825</u>	<u>35,501</u>
Total equity		<u>1,826,916</u>	<u>1,764,372</u>

		As at	
		30 June	31 December
		2009	2008
		Unaudited	Audited
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	12	11,746	—
Current liabilities			
Trade payables	13	47,667	89,015
Other payables and accruals		158,786	274,905
Financial liabilities at fair value through profit or loss	12	47,551	—
Current income tax liabilities		21,231	24,901
		275,235	388,821
Total liabilities		286,981	388,821
Total equity and liabilities		2,113,897	2,153,193
Net current assets		1,307,300	1,237,625
Total assets less current liabilities		1,838,662	1,764,372

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 consolidated financial information were approved for issue on 26 August 2009.

2 Basis of preparation and accounting policies

These unaudited condensed consolidated financial information 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 consolidated financial information should be read in conjunction with the Company’s 2008 annual financial statements.

The accounting policies of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008, except for the adoption of the following new standards and amendments to standards which are mandatory for the first time for the financial year beginning 1 January 2009.

HKAS 1 (revised)	Presentation of financial statements
HKFRS 8	Operating segments
HKFRS 2 (Amendment)	Share-based payment
Amendment to HKFRS 7	Financial instruments: disclosures

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 2008.

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 information are consistent with those used in the annual financial statements for the year ended 31 December 2008.

5 Segment information

The chief operating decision-maker has been identified as the key management team including executive directors. In accordance with the Group’s internal reporting, management has determined the operating segments to be red wines and white wines.

Other products sold by the Group include sparkling wines, brandy and icewine. These sales have not been included within the reportable operating segments, as they are not included within the reports provided to the key management team.

The key management team assesses the performance of the operating segments based on gross profit, which excludes the effects of tax, depreciation and amortisation and non-recurring expenditure from the operating segments. Other income, distribution costs and administrative expenses are also not included in management’s assessment of the performance of the operating segments.

All revenue of the Group are from external customers.

	Unaudited			Total Group HK\$'000
	Red wines HK\$'000	White wines HK\$'000	All other products HK\$'000	
Six months ended 30 June 2009				
Revenue	<u>569,178</u>	<u>115,745</u>	<u>2,477</u>	<u>687,400</u>
Gross profit	<u>297,114</u>	<u>44,586</u>	<u>656</u>	<u>342,356</u>
Unallocated items:				
Depreciation and amortisation	—	—	—	(21,681)
Interest income	—	—	—	6,121
Share of loss of an associate	—	—	—	(250)
Income tax expense	—	—	—	(33,931)
Six months ended 30 June 2008				
Revenue	<u>650,104</u>	<u>72,680</u>	<u>2,463</u>	<u>725,247</u>
Gross profit	<u>355,439</u>	<u>30,867</u>	<u>964</u>	<u>387,270</u>
Unallocated items:				
Depreciation and amortisation	—	—	—	(23,357)
Interest income	—	—	—	11,490
Share of profit of an associate	—	—	—	37
Income tax expense	—	—	—	(45,118)

Measurement of total segment assets and reconciliation to total assets are not disclosed as key management team does not assess performance of reportable segments using information on assets.

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

	Unaudited	
	Six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Gross profit for reportable segments	342,356	387,270
Other income	15,565	17,217
Distribution costs	(185,696)	(194,120)
Administrative expenses	<u>(40,586)</u>	<u>(44,390)</u>
Operating profit	131,639	165,977
Share of (loss)/profit of an associate	<u>(250)</u>	<u>37</u>
Profit before income tax	<u>131,389</u>	<u>166,014</u>

6 Revenue and other income

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Revenue		
Manufacture and sale of wine products	<u>687,400</u>	<u>725,247</u>
Other income		
Interest income	6,121	11,490
Government grants	<u>9,444</u>	<u>5,727</u>
	<u>15,565</u>	<u>17,217</u>
Total revenue and other income	<u>702,965</u>	<u>742,464</u>

7 Operating profit

Operating profit is stated after charging:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Employee costs including directors' emoluments	36,562	33,969
Depreciation	20,879	22,513
Amortisation	802	844
Operating lease rentals in respect of:		
— transformation station	1,224	1,189
— office premises	<u>1,131</u>	<u>1,131</u>

8 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current income tax:		
— PRC income tax for the period	34,770	44,879
— withholding tax	—	239
— over-provision in previous year	<u>(839)</u>	<u>—</u>
	<u>33,931</u>	<u>45,118</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% (2008: 25%).

9 Dividends

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
2008 final paid, of HK1.9 cents (2007 final paid, of HK1.2 cents) per ordinary share	23,655	14,940
2009 interim declared of HK2.8 cents (2008: HK3.5 cents) per ordinary share (<i>Note</i>)	<u>34,860</u>	<u>43,575</u>
	<u>58,515</u>	<u>58,515</u>

Note: On 26 August 2009, the board of directors declared an interim dividend of HK2.8 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 2009.

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\$96,796,000 (2008: HK\$120,067,000) and the weighted average number of 1,245,000,000 shares in issue during the six months to 30 June 2009 (2008: As for 2009).

There is no dilutive potential share for the period ended 30 June 2009 (2008: As for 2009).

11 Trade receivables

The Group 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 2009 <i>HK\$'000</i>	Audited 31 December 2008 <i>HK\$'000</i>
Below 30 days	45,104	58,283
30 to 90 days	56,019	17,085
91 to 180 days	2,463	6,800
Over 180 days	7,075	2,247
	110,661	84,415
Less: Provision for impairment	(322)	(322)
	110,339	84,093

12 Financial liabilities at fair value through profit or loss and related restricted cash

On 9 April 2009, Sino-French Joint Venture Dynasty Winery Ltd (“Dynasty Tianjin”), a wholly owned subsidiary of the Company, entered into two contracts whereby, Dynasty Tianjin transferred its income receiving right attached to some specially made wine aged in oak barrels to a state owned trust company (“Trust Company”) for a consideration of about Rmb42 million (maturity of 182 days) and Rmb10 million (maturity of 547 days), respectively. Upon maturity of the contracts, the Trust Company on behalf of its underlying customers can select either cash settlement with fixed rate of interest or physical delivery of the wine at a predetermined price.

Since these contracts have cash settlement option and have underlying values which changes in response to market interest rate and price of the wine. As such, they are accounted for as financial liabilities carried at fair value through profit or loss.

As part of the arrangement above, Dynasty Tianjin is required to pledge the total consideration received of Rmb52 million to the Trust Company as security to the two contracts. The amounts are restricted until the respective maturity of the contracts.

13 Trade payables

The aging analysis of the trade payables is as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Below 30 days	43,746	77,545
30 to 90 days	—	2,003
91 to 180 days	2,037	7,582
Over 180 days	1,884	1,885
	<u>47,667</u>	<u>89,015</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's revenue for the six months ended 30 June 2009 amounted to HK\$687 million (2008 — HK\$725 million), representing a decrease of 5% as compared with the same period last year and profit attributable to equity holders of the Company was HK\$97 million (2008 — HK\$120 million), representing a decrease of 19%.

Earnings per share of the Company ("Share") for the six months ended 30 June 2009 reached HK7.8 cents (2008 — HK9.6 cents) per Share based on the weighted average number of 1,245,000,000 (2008 — 1,245,000,000) Shares in issue during the period. There is no dilutive potential share for the six months ended 30 June 2009.

The financial results for the first half of 2009 were primarily attributable to the decrease in gross profit from contracted sales volume and gross profit margin. With the Group in a strong financial position and having a solid equity base, the Directors have resolved to recommend payment of an interim dividend of HK2.8 cents (2008 — HK3.5 cents) per Share.

Financial review

Revenue

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2009, it decreased by 5% to approximately HK\$687 million from approximately HK\$725 million for the corresponding period in 2008. The decrease in revenue was the result of a decreased in sales volume.

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\$24.7 per bottle (750ml) in 2008, reflecting the rise in average ex-factory sales price of certain grape wine products by the end of April 2008. With consumers

in the PRC having a prevalent preference for red wines, the Group is able to set higher prices for its red wine products and therefore the average ex-winery sales price of red wine products of the Group are generally higher than that of 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	
	2009	2008
	<i>%</i>	<i>%</i>
Cost of raw materials		
— Grapes and grape juice	38	36
— Yeast and additives	3	2
— Packaging materials	26	27
— Others	2	2
	<hr/>	<hr/>
Total cost of raw materials	69	67
Manufacturing overheads	13	12
Consumption tax	18	21
	<hr/>	<hr/>
Total cost of sales	<u>100</u>	<u>100</u>

The principal raw materials required by the Group are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, labels, corks and packing boxes. For the six months ended 30 June 2009, the cost of grapes and grape juice was the key component of cost of sales and accounted for approximately 38% of the Group's total cost of sales, representing an increase of 2% from approximately 36% in the corresponding period in 2008, because of an increase in average cost of grapes and grape juice. During the period under review, the total cost of packaging materials to revenue remained relatively stable as compared with the corresponding period in 2008.

Manufacturing overheads primarily consist 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. With comparison to revenue for the period under review, the related ratio was relatively stable as compared with the corresponding period in 2008.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. The overall gross profit margin of the Group was 50% for the six months ended 30 June 2009, a decrease of 3 percentage points from 53% for the corresponding period in 2008 because of higher purchase cost of grape juice, especially that for winemaking white wine products, and increase in sales of white wine products as compared to the first half year of 2008. The gross margin of red wine products and white wine products in the first half year of 2009 were 52% and 39% respectively (2008 — 55% and 43% respectively). The higher sales prices and lower cost of raw materials of red wine products explained the higher gross margin of the products.

Other income

Other income for the six months ended 30 June 2009 dropped by 10% to HK\$15.6 million (2008 — HK\$17.2 million), mainly attributable to:

- (1) Decrease in interest income from lower interest rates for bank deposits; which was offset by
- (2) Increase in government grant to HK\$9.4 million (2008 — HK\$5.7 million) for a subsidiary in the PRC to encourage technological development and improvement in winemaking.

Distribution costs

Distribution costs comprise mainly advertising and market promotion expenses, transportation and delivery charges in connection with the sales of grape wine products, salaries and related personnel expenses of the sales and marketing departments and other incidental expenses. For the six months ended 30 June 2009, distribution costs accounted for approximately 27% (2008 — 27%) of the Group's revenue with advertising and market promotion expenses alone to the Group's revenue at approximately 18% (2008 — 18%). These percentages were relatively stable, demonstrating the effectiveness of the management in monitoring and controlling sales and marketing spending.

Administrative expenses

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

During the period under review, administrative expenses as a percentage of the Group's revenue remained stable at 6% (2008 — 6%) compared with the corresponding period last year.

Income tax 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 under those jurisdictions.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the enterprise income tax rate for all the subsidiaries of the Company incorporated in the PRC had been unified at 25% effective from 1 January 2008. During the period under review, the effective tax rate of the Group decreased to approximately 26% (2008 —27%) mainly because of over-provision of taxation in prior year.

Cash flow

In the first half year of 2009, investing activities were the Group's main source of cash outflow. Cash was mainly used to pay for acquisition of plant and equipment and 2008 final dividends to shareholders.

The decrease in cash flow from operating activities from inflow of HK\$176.3 million in the first half year of 2008 to outflow of HK\$21.5 million in the first half year of 2009 was mainly attributable to the decrease in gross profit and the effects of changes in working capital, mainly increase in trade receivables and decrease in trade payables, other payables and accrual.

Net cash used in investing activities amounted to approximately HK\$397.8 million (2008 — HK\$57.0 million), primarily related to placement of fixed deposits with maturity over 3 months and acquisition of plant and equipment pursuant to our expansion plan.

Net cash outflow in financing activities comprised primarily payment of dividends to shareholders of approximately HK\$23.7 million (2008 — HK\$14.9 million).

Financial management and treasury policy

As at 30 June 2009, except for the net proceeds from the placing and public offer in 2005, the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). The Group has progressively remitted the net listing proceeds from Hong Kong to the PRC and converted them into RMB shortly after remittance. The remaining unremitted net proceeds 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. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Company does not implement any hedging or other derivatives against foreign exchange risk. Although the Group's operation currently does not generate any significant foreign currency exposure, we will continue to closely monitor the foreign currency movement.

Armed with sufficient financial resources and in a net cash position with no borrowing, the Group is 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) Existing sales channels

For the six months ended 30 June 2009, sales volume of the Group dropped as compared to the same period of 2008 because of poor consumption sentiment and deteriorating business environment after global financial crisis hit in the second half year of 2008 and keen competition in the market. The total number of bottles of wine sold decreased from approximately 29.6 million in the first half year of 2008 to approximately 27.3 million in the first half year of 2009. Red wines, the major revenue contributor of the Group, accounted for approximately 83% of the total revenue of the Group for the period (2008 — 90%). Dynasty Dry Red, the prototype product for the mass market, continued to be the Group's best selling label accounting for approximately 27% of the Group's revenue (2008 — 36%).

During the period under review, we continued to expand and strengthen our nationwide and extensive distribution network, which supported sales of products of the Group 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) including Shanghai city, Zhejiang and Jiangsu provinces remained as the Group's strongest markets. Sales in other regional markets, such as Beijing and Tianjin cities, Hunan and Fujian provinces, etc., in the PRC also grew. The Group reported export sales accounting for 0.1% (2008 — 0.1%) of its total revenue during the period.

The Group offers a range of over 50 wine products under the "Dynasty" brand to meet demands of consumer mainly in the medium to high end segments in the PRC 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, Dynasty 5-star Icewine Reserve, recorded encouraging growth. In addition, the Group also sold foreign brand wines imported from Europe in the PRC wine market through the Group's existing distribution network so as to cater for a niche market with customers preferring the taste of foreign premium wine products only. These products contributed relatively insignificant to our revenue during the first half year of 2009, but we believe the sales of premium Dynasty and imported products will grow and these products will become major growth drivers for our business in the future. To sustain its growth, the Group will continue to actively promote them to high end market.

(B) New sales channels

To explore new sales channels and develop new customer base, the Group forged with financial institutions (the "FI") in the PRC to produce and sell two premium red wine products to the FI's customers under the prescribed terms and format of the FI (the "Transactions") during the period under review. The aggregate consideration of the Transactions amounted to HK\$59 million which

has been received by the Group as of period end. Upon maturity of the Transactions, customers can select either cash settlement with fixed rate of interest or physical delivery of the wine at a predetermined price. In accordance with the terms of the Transactions, the Group recognised current and non-current financial liabilities of about HK\$47 million and HK\$12 million, respectively as at 30 June 2009.

Supplies of grapes or grape juice

To produce wine products of consistent high quality, the Group needs sufficient supply of quality grapes or grape juice. Currently, we have over 10 major grape juice suppliers, located mainly in Tianjin, Shandong, Hebei and Ningxia, with whom we have long-term and stable relationship. To ensure we have reliable and solid supply of quality grapes and grape juice to meet the needs of our growing business and fill our expanding production capacity, the Group continues to actively work with grape growers to enlarge their existing vineyards aiming for better economies of scale and equip their vineyards with state-of-the-art techniques for assuring quality. The Group has also kept identifying new suppliers who can meet its quality requirements and thorough tests will be conducted on their grape juice before orders are placed. Such measures have ensured we have access to quality grape and grape juice supplies and also lower the risk of bad harvest interrupting production. The Group has also been looking into importing grape juice from overseas applying the same stringent quality requirements it has on suppliers in the PRC.

Production capacity

As its existing production facilities have almost reached full capacity, the Group has begun to build new production and research and development facilities in its Tianjin winery. Related construction works are underway with completion expected in the last quarter of 2009. By then its annual production capacity will be increased from 50,000 tonnes (equivalent to approximately 66.7 million bottles) to 70,000 tonnes (equivalent to approximately 93.3 million bottles) to promptly respond to market demand and consolidate its market position.

Outlook

Looking ahead, the Group maintains the optimistic about the prospects of the PRC economy and its business with the PRC government putting its weight behind the economy. With trends of the Group's revenue growth improving significantly in the second quarter of 2009, the Group will continue to improve the revenue and profitability by expanding sales networks, especially in second tier cities in the PRC; by strengthening the management on distributors through active participation in exploration and development of new sales channels and customers so as to enlarge market share; and by its strict cost control management. The management and staff of the Group are confident in the business development prospects and performance to be achieved in the second half of the year.

Employees and remuneration policies

The Group employed a workforce of 436 (including Directors) in Hong Kong and the PRC. The total salaries and related costs (including Directors' fees) incurred for the six months ended 30 June 2009 amounted to approximately HK\$37 million (2008 — HK\$34 million). The Group offers competitive remuneration packages commensurate with industry level and provides various fringe benefits, including trainings, medical and insurance coverage, and retirement benefits to all employees in Hong Kong and the PRC. Employees are encouraged to attend external professional and technical seminars, and other training programmes and courses to improve their business acumen, technical knowledge and skills and market awareness. The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and performance of the Group and individual employees.

The Company also adopted a share option scheme (“Share Option Scheme”) on 6 December 2004 for the purpose of providing incentives and rewards to eligible participants to encourage contribution to the business success and growth of the Group. As at 30 June 2009, 14,400,000 share options were granted and outstanding under the scheme.

Liquidity and financial resources

As at 30 June 2009, the Group's cash and cash equivalents, and fixed deposits amounted to HK\$927 million. It has a strong cash position for satisfying working capital requirements of business operations and capital expenditures. New investment opportunities, if any, will be funded by the Group's internal resources.

Capital structure

As at 30 June 2009, the Group had no borrowing and was in a significant net cash and liquid position, reflecting its sound capital structure. The net proceeds raised from the placing and public offer in 2005 have 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 2009 was approximately HK\$2,216 million.

Gearing ratio

As at 30 June 2009, the Group remained financially sound with strong liquidity and had no long-term debts with total equity before minority interests of the Group amounted to approximately HK\$1,802 million. The Group's gearing ratio, expressed as a ratio of total long-term debts to total equity before minority interests, as at 30 June 2009 was nil (2008 — nil).

Capital commitments, contingencies and charges on assets

The Group made capital expenditure commitments including approximately HK\$94.0 million that were authorised but not contracted for and approximately HK\$21.9 million contracted but not provided for in the financial statements as at 30 June 2009. These commitments were required mainly to support the Group's production capacity expansion. The funding of such capital commitments will be paid out of the net proceeds from placing and public offer as stated in the listing prospectus dated 17 January 2005.

As at 30 June 2009, the Group had no contingent liabilities and none of the Group's assets was pledged except for restricted cash amounting HK\$59 million pledged as security for the two Transactions described in the section headed "New sales channel" under business review above and Note 12 to the condensed financial information.

Material acquisitions and disposals of subsidiaries and associated companies

The Group did not make any other material acquisitions or disposal of subsidiaries and associated companies during the six months ended 30 June 2009.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK2.8 cents per Share. The interim dividend will be paid on 15 October 2009 to shareholders whose names appear on the Register of Members on 2 October 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 29 September 2009 to Friday, 2 October 2009, both days inclusive, during which period no transfer of shares will be effected. To entitle for 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, 28 September 2009.

Purchase, Sale or Redemption of Shares of the Company

There was no purchases, sale 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 protecting and enhancing shareholder value through solid corporate governance. It devotes considerable efforts in identifying and formalising best practices. It also exerts its best 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.

Throughout the financial period under review, basically as previously mentioned in our 2008 annual report, none of the Directors was aware of information that would reasonably indicate that the Company was 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”).

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 2009.

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 early September 2009.

By order of the Board
Mr. Bai Zhisheng
Chairman

Hong Kong, 26 August 2009

As at the date of this announcement, the Board comprises 2 executive directors, namely, Mr. Bai Zhisheng and Mr. Gao Feng, 6 non-executive directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Zheng Daoquan, Mr. Jean-Marie Laborde, 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.