



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



*Corporate Presentation*

**2010 Annual Results**  
**March 2011**

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- ☞ **Mr. Bai Zhisheng**  
**Chairman & Executive Director**
- ☞ **Mr. Francois Heriard-Dubreuil**  
**Vice Chairman & Non-executive Director**
- ☞ **Mr. Gao Feng**  
**Executive Director & General Manager**
- ☞ **Mr. Huang Yaqiang**  
**Executive Director**
- ☞ **Mr. Yeung Chi Tat, Rex**  
**Financial Controller & Company Secretary**



## China's premier winemaker DYNASTY celebrates 5th year listing on SEHK and its 30th anniversary



- Financial Highlights
- Business Review
- 2010 Achievement
- Strategies & Prospects





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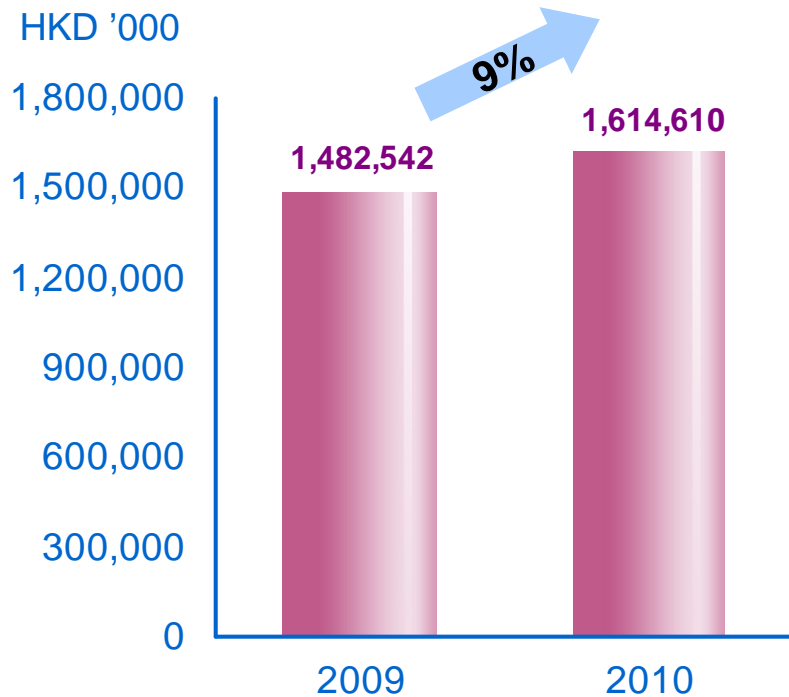
# *Financial Highlights*

HKD '000	2010	2009	% change
Revenue	1,614,610	1,482,542	+9%
Gross profit	812,703	755,501	+8%
Profit attributable to equity holders	158,808	156,122	+2%
Basic earnings per share (HKD)	0.127	0.125	+2%
<i>Gross profit margin</i>	<i>50%</i>	<i>51%</i>	<i>-1ppt</i>
<i>Net profit margin</i>	<i>10%</i>	<i>11%</i>	<i>-1ppt</i>

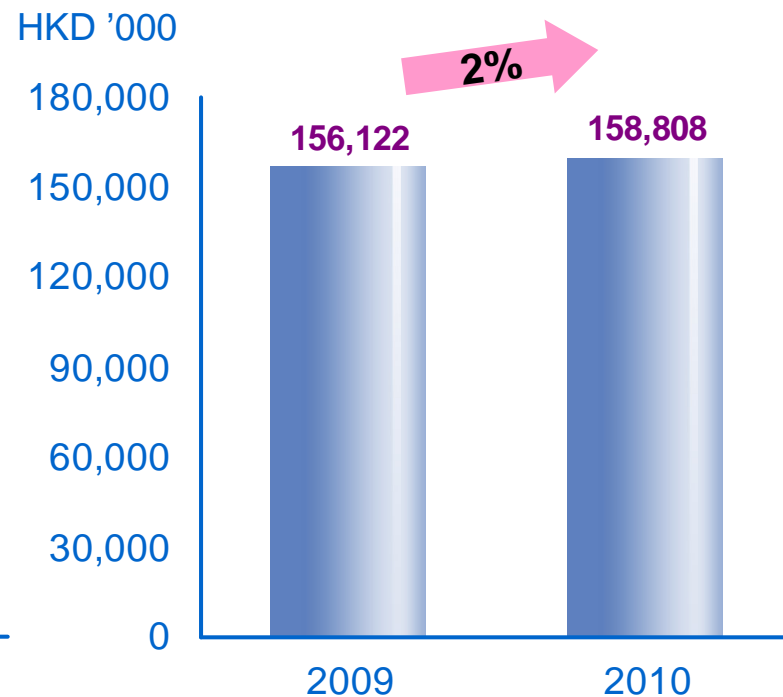
☞ Proposed Final dividend for 2010 is 2.8HK cents per share



## Revenue



## Net Profit



- ☞ The increase of revenue was boosted by the increase in sales volume
- ☞ The increase in profit was mainly attributable to the growth in sales volume and the effective control of distribution costs



## Breakdown of Cost of Sales

	2010	2009
	%	%
Cost of raw materials	73	70
● Grapes and grape juice	43	41
● Yeast and additives	2	2
● Packaging materials	26	26
● Others	2	1
Manufacturing overheads	13	12
Consumption tax	14	18
Total cost of sales	100	100

✎ Higher cost of grape juice and decrease in sales of red wines slightly lowered the profit margin of 2010 to 50% (2009: 51%)

✎ Red wines have higher gross margin (2010: 52%; 2009: 53%) than white wines because of higher selling price

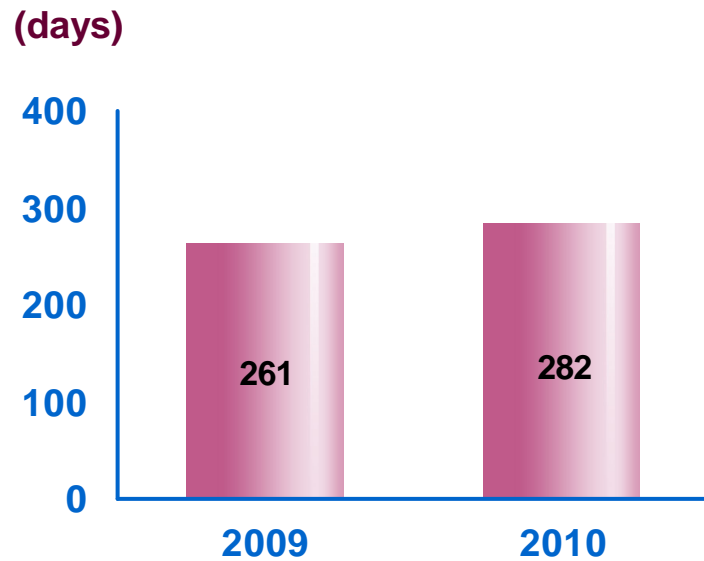


	2010 %	2009 %	pp change
Revenue	100	100	-
Cost of sales	(50)	(49)	+1
<i>Gross profit</i>	50	51	-1
Distribution costs	(30)	(32)	-2
Administrative expenses	(7)	(7)	-
Others	(3)	(1)	+2
<i>Net profit</i>	10	11	-1

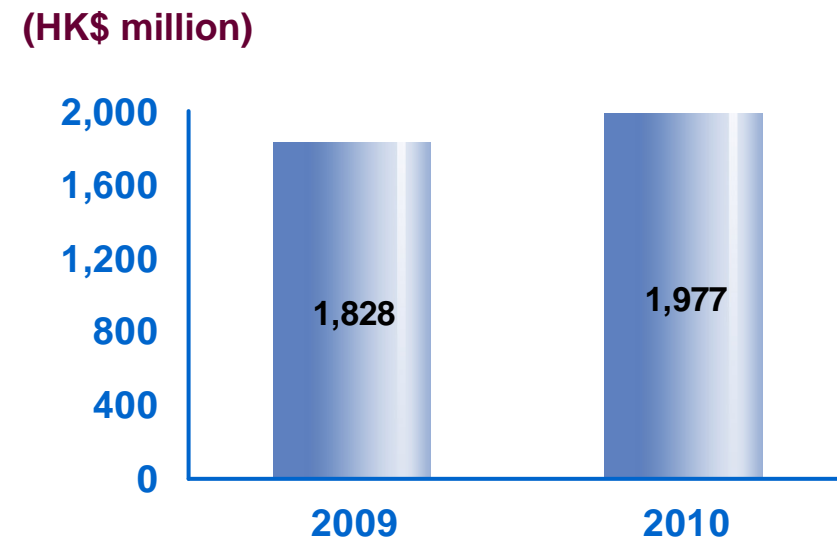
- ⌘ Higher average cost of grape and grape juice increased the cost of sales in 2010
- ⌘ Decrease in distribution costs was mainly attributable to effective management in monitoring and controlling sales and marketing expenses
- ⌘ The net profit margin remained steady due to effective control of distribution costs and administrative expenses



## Inventory Turnover



## Net Asset Value



- ☞ Increase in inventory to prepare for increase in sales demand and reduce impact of anticipated increase in purchase costs of grape juice in 2011

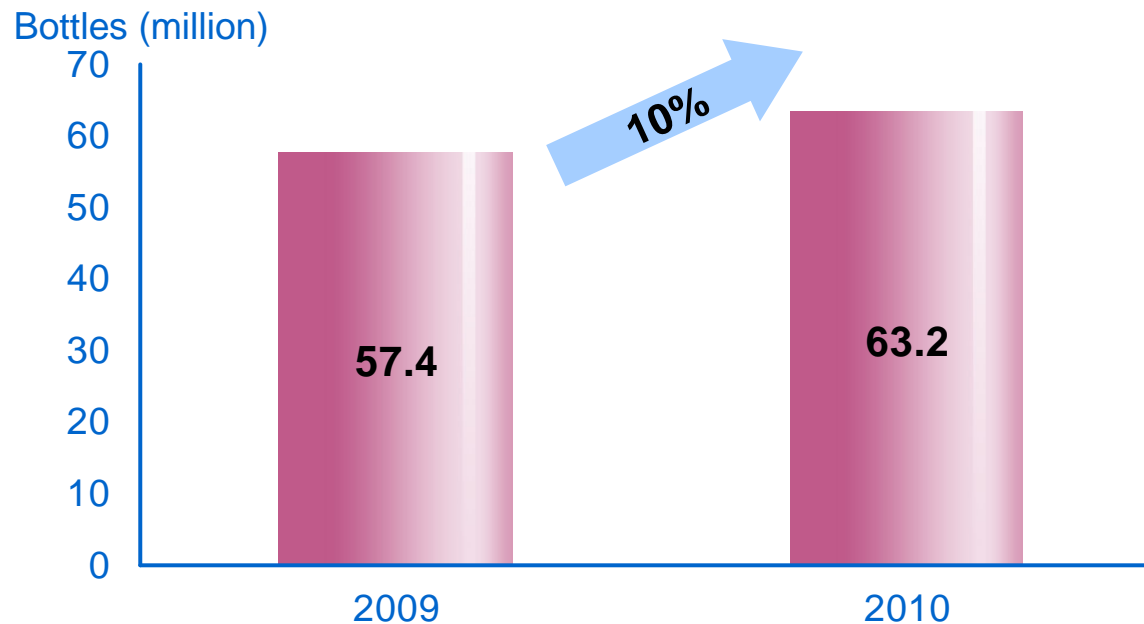




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# *Business Review*

## Total number of bottles of wine sold



- Red wine sales remained as the principal main revenue contributor, representing 82% of the Group's total revenue
- Dynasty Dry Red continued to be the best seller, contributing 39% of the total revenue
- Sales of premium wines was satisfactory
- Average ex-winery sales price was slightly lower than the average price of HK\$25.8 per bottle (750ml) in 2009 due to higher trade discounts offered for expansion of distribution network and sales channel coverage beyond the Huadong region



# Sales by Region



Nationwide sales network covering many provinces, autonomous regions and 4 directly administered municipalities

- Domestic market remained as the primary focus
- Huadong region (ie Eastern region of the PRC), comprising Shanghai city, Zhejiang and Jiangsu provinces remained as our strongest markets
- Extended network to Southern region including Guangdong, Fujian, Guangxi and Hainan provinces and the sales in these markets grew substantially



## Explore new sales channels and promote “Dynasty Brand”

**Dynasty Club** targeting the high-end market and nurturing a group of loyal and sophisticated customers

☞ **Dynasty retail shop** to cater for different needs of the customers:

### Self-operated

- Shanghai, Huangpu district (opened in 2009)
- Tianjin, Tanggu district (opened in 2010)
- Tianjin, Nankai district (opened in 2010)

☞ Sale of Dynasty wines and imported wines in retail shops



Franchised retail shop - opened in Qingdao

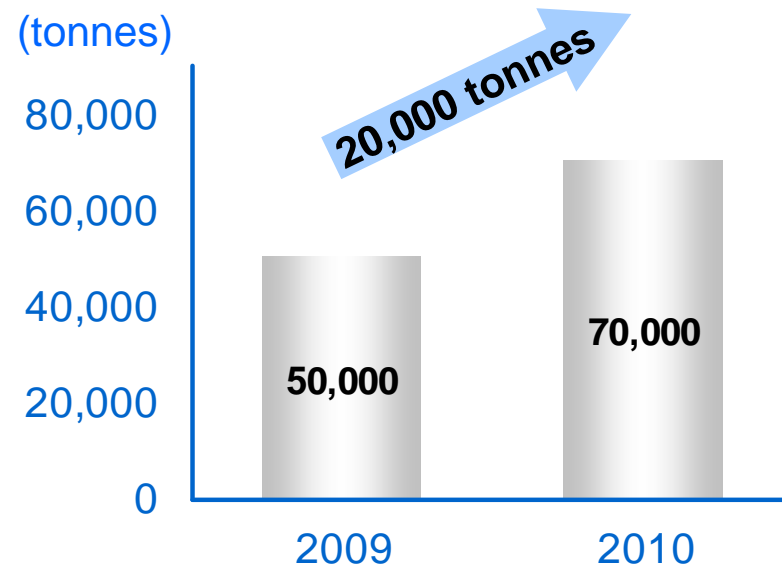


# Strengthen Sales Channels

- Developed an e-commerce business by setting up an efficient online platform ([www.i9wang.com](http://www.i9wang.com))
- Relatively low operating cost and hence higher gross profit margin
- Serve as an additional marketing and promotion channel for the “Dynasty” brand



## Expanded production capacity to meet the increasing market demand



- ☞ Production capacity expanded from 50,000 tonnes (equivalent to approximately 66.7 million bottles) to 70,000 tonnes (equivalent to approximately 93.3 million bottles) in Oct 2010
- ☞ Over 10 major grape juice suppliers with long-term relationships, mainly located in Tianjin, Shandong, Hebei, Ningxia and Xinjiang
- ☞ Actively work with vignerons to enlarge their vineyards to enjoy higher economies of scale
- ☞ Identify new suppliers to fill expanded production capacity
- ☞ Import grape juice from overseas if necessary



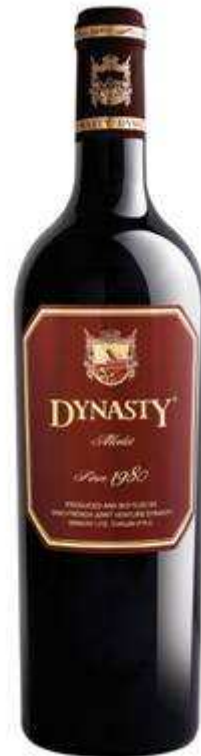
Strive to further upgrade product mix and extend product portfolio



Dynasty Fine Brandy X.O



Dynasty Sparkling Wine



Dynasty Merlot Dry Red Wine Reserve



Chateau Dynasty – Grand Wine 2005



Dynasty Chardonnay Reserve 2006



Dynasty 5-star Icewine Reserve





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*2010 Achievement*

Opened in Oct 2010



# Dynasty Fine Wines Flight

DYNASTY  
SINCE 1990

Launched in Sept 2010

- Collaborated with Hainan Airlines in the maiden voyage of Dynasty Fine Wines Flight
- Making it the first flight of its kind to be launched by different business players in China



# Delegations From Abroad



Dialogue de Dynasty



World Association of Chefs' Societies



World Economic Forum

☞ Arranged various industry VIPs to visit “Chateau Dynasty” and hosted wine tasting events in the underground wine cellar

☞ Aug 2010 - Michel Rolland, world-renowned oenologist

☞ Aug 2010 - World Association of Chefs' Societies, including Ms. Cristeta Pasia Comerford, the White House Executive Chef

☞ Sept 2010 - World Economic Forum





**Asia Pacific  
Entrepreneurship  
Awards (“APEA”)  
2010 China organized  
by Enterprise Asia**





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*Strategies & Prospects*

Upgrade product mix

Strengthen and  
expand distribution  
network



Distributors for foreign  
brand wines

Capture new business  
opportunities

**Dynasty Premier Royal Selection -  
Cabernet Sauvignon Reserve 2005**



## Market opportunities

- ❧ Low average consumption volume
- ❧ Rising per capital disposable income
- ❧ Increasing health consciousness and popularity of drinking wine
- ❧ Rising demand on premium wine products in China
- ❧ Customer's favor towards local brands

## Initiatives for seizing opportunities

- ❧ Expanding distribution network
- ❧ Shifting product mix towards higher end products
- ❧ Refining brand and marketing strategies to enhance brand image and market position
- ❧ Enhancement of quality supply of grape juice
- ❧ Improving product development and quality control system





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