



DYNASTY'S 1H2011 REVENUE REACHES HK\$791 MILLION

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ACTIVELY REFORMS SALES AND DISTRIBUTION MODEL EXPANDS MARKET SHARE AND LEADS WINE CONSUMPTION TRENDS

Financial Highlights (unaudited)

	Six Months Ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Revenue	790,686	784,848
Gross profit	329,286	391,726
Profit attributable to equity holders	52,652	114,110
Gross profit margin	42%	50%
Net profit margin	7%	15%
Basic earnings per share (HK cents)	4.2	9.2
Interim dividend per share (HK cents)	1.5	3.3

(Hong Kong, 25 Aug 2011) – Dynasty Fine Wines Group Limited (“Dynasty” or “the Group”) (Stock Code: 828), a premier winemaker in China, today announced its unaudited interim results for the six months ended 30 June 2011.

For the period under review, revenue of the Group rose mildly to HK\$791 million due to an improved average ex-winery sales price amidst a drop in sales volume. Profit attributable to equity holders decreased to HK\$52.65 million, as a result of the rising cost of raw materials and manufacturing overheads, decrease in the proportion of sales of red wines with higher margin and newly imposed Government tax and surcharge. Earnings per share were HK4.2 cents, based on the weighted average number of 1.248 billion shares in issue. As at 30 June, 2011, the Group's bank deposits, cash and cash equivalents amounted to HK\$524 million and there was no debt. The Board recommended an interim dividend of HK1.5 cents per share.

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In 2011, the Group is implementing a reform on its sales and distribution model with a view to improve the overall operational efficiency. Reform measures include (i) co-operating with distributors to strengthen the control on retail price; (ii) enhancing the effective management in monitoring and controlling sales and marketing spending; and (iii) streamlining the existing multi-layered sales and distribution system so as to strengthen its control over the sales channel. Though the reform affected sales in the Zhejiang region during the review period, the Group still believes the reform is necessary and will be beneficial to Dynasty in the long run.

The total number of bottles of wine sold for the period decreased to approximately 30.9 million (2010: 32.1 million). Sales of red wines continued to be the Group's main revenue contributor, accounting for approximately 81% of the total revenue (2010: 84%). Sales of premium wine products, such as Dynasty Merlot Dry Red Wine Reserve, Dynasty Merlot Series – Gold Label & Black Label and Dynasty Dry Red Wine – Reserve remained strong and recorded encouraging growth. As a result of shifting the sales mix and lower trade discounts offered to distributors, the Group's average ex-winery sales price was higher than the average price of HK\$24.5 per bottle (750ml) for the corresponding period in 2010.

Currently, Dynasty is selling a range of over 100 wines products under the “*Dynasty*” brand and carries more than 350 products from approximately 100 brands mainly from France, Italy, Germany and the US. The sales amount of imported products in the first half year of 2011 was higher than the whole year of 2010, therefore the Group forecasts great potential in this new imported wine business. Riding on the trend ushering in a new era of wine consumption with increasing disposable income of consumers aspiring to the trappings of upper class enjoyment, the Group believes that the sales of premium wine products and imported wines should continuously increase and become a major growth driver for its future development.

In order to cater for different needs and preferences of its customers and consolidate its leading presence in the PRC, the Group has expanded the scale of self-operated/franchised retail shops. During the review period, it had two self-operated retail shops in Tianjin, one self-operated retail shop in Shanghai and at the date of this release, 18 franchised retail shops across the country, selling a variety of Dynasty wines and its imported wines to its customers directly. The Group is planning to increase the number of franchised retail shops through a strategy of progressive growth and expects to establish approximately 100 franchised retail shops by the end of 2011.

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In addition to building up the traditional sales channels, the Group also launched an e-commerce business in 2010 by setting up an efficient online platform – www.i9wang.com (王朝愛酒網) to further expand its sales channels and develop a new customer base. Since the operating cost for the website is relatively low, the Group enjoys a higher gross profit margin on e-commerce business. The Group is optimistic of the outlook of the business because research suggests the online trading business in China should grow steadily in the coming years and the country already has the world's largest number of internet users.

To ensure its long term development, the Group will also explore appropriate acquisition or investment opportunities. It is currently in discussion with and review on a boutique wine company in New Zealand, which is a possible target of acquisition to diversify and enrich the Group's brand and product portfolio, and expand the source of supply of high-quality grapes or grape juice. During the period under review, the Group has imported grape juices from overseas, applying the same stringent quality requirements as it has on suppliers in the PRC.

Mr Bai Zhisheng, Chairman and Executive Director of Dynasty, said, "Despite the impact on its overall sales volume in the short term, the Group strongly believes that the reform on the sales and distribution model together with other growth strategies, including upgrading the product mix, expansion of sales channels and networks, evaluating appropriate acquisition opportunities and distributorships of foreign brand wines, will improve the Group's operational efficiency and maximise the revenue in the long run. With the rising GDP and disposable incomes and the supportive Government policies to encourage domestic consumption, we are confident about the prospects of the China grape wine market".

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About Dynasty Fine Wines Group Limited

Founded in 1980, Dynasty is the premier wine-maker in China. It is principally engaged in the production and sale of grape wine products under its reputable Dynasty brand. Dynasty is the first Sino-foreign joint venture wine company in China with Tianjin Development Holdings Limited (Stock Code: 882) and Remy Cointreau as its major shareholders. Dynasty was listed on the Main Board of the Stock Exchange of Hong Kong on 26 January 2005. The Group offers over 100 grape wine products in five main categories of red wines, white wines, sparkling wines, brandy and icewine. Dynasty provides customers in all consumer strata with high quality and “excellent value for money” products. Dynasty wines made the list of Best Selling Grape Wines in China published by the China Industry and Enterprise Information Centre 13 times between 1997 and 2010. In 2009, it was awarded the Credible Enterprise of China Accreditation 2010-2012 and was named second runner-up in the Food and Beverages Industry Category of China’s Most Promising Companies by The Asset magazine. In 2010, Dynasty achieved Top Ten Greatest Satisfaction Brands in China Award organized by China General Chamber of Commerce and the Most Innovative and Competitive Brand in China’s Liquor Industry organized by China Wine magazine.

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Dynasty Fine Wines Group Limited

Condensed Consolidated Income Statement

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Revenue	790,686	784,848
Cost of sales	(461,400)	(393,122)
Gross profit	329,286	391,726
Other income	20,076	17,717
Distribution costs	(215,405)	(202,633)
Administrative expenses	(61,825)	(51,725)
Operating profit	72,132	155,085
Share of loss of an associate	(68)	(529)
Profit before income tax	72,064	154,556
Income tax expense	(20,414)	(41,020)
Profit for the period	51,650	113,536
Attributable to:		
Equity holders of the Company	52,652	114,110
Non-controlling interests	(1,002)	(574)
	51,650	113,536
Dividends (HK cents)	1.5	3.3
Basic earnings per share (HK cents)	4.2	9.2