

DYNASTY

酒の王朝

DYNASTY'S 2011 REVENUE REACHES HK\$1,445 MILLION

* * * *

**IMPLEMENTS REFORM ON SALES AND DISTRIBUTION MODEL TO ENHANCE
OPERATIONAL EFFICIENCY
OPTIMISES PRODUCT MIX AND EXPANDS THE PROPORTION OF MID-RANGE TO
HIGH-END PRODUCTS**

Financial Highlights (Audited)

	Year Ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Revenue	1,445,117	1,614,610
Gross Profit	603,738	812,703
Profit Attributable to Owners	4,267	158,808
Gross Profit Margin	42%	50%
Net Margin	0.3%	10%
Basic Earnings per Share (HK cents)	0.34	12.74

(Hong Kong, 29 March 2012) – Dynasty Fine Wines Group Limited (“Dynasty” or “the Group”) (Stock Code: 828), a premier winemaker in China, today announced its audited annual results for the year ended 31 December 2011.

Despite the increase in the average ex-factory sales price of the Group’s wine products, the total revenue decreased by 10% to HK\$1,445 million due to the effects of reforms on the Group’s sales and distribution model. Profit attributable to owners was HK\$4.267 million. In addition, the gross profit margin decreased by 8ppt to 42% due to the increase in the production cost together with the newly imposed city construction tax and education surcharge. Earnings per share were HK0.34 cents, based on the weighted average number of 1,248 million shares in issue. As at 31 December, 2011, the Group’s bank deposits, cash and cash equivalents amounted to HK\$403 million and there was no debt.

29/3/2012

Mr Bai Zhisheng, Chairman and Executive Director of Dynasty, said, “The year 2011 was a challenging year. We have implemented reform on our sales and distribution model to improve the Group’s operational efficiency as well as the collaboration with distributors. Although the reform resulted in a short-term overall decrease in sales, this initiative would strengthen our control on the retail price and greatly reduce our operating expenses and ultimately boost our operational efficiency in the long term. In response to the market trend, the Group continued to increase the proportion of mid-range to high-end products and actively promoted the ‘Dynasty’ brand. During the year, we participated in a number of major industry events such as the “Hong Kong Wine & Dine Festival”, “Hong Kong International Wine & Spirits Fair”, and “Wine Future Hong Kong 2011” to promote the high-end brand image of ‘Dynasty’ to the public.”

During the year, the total number of bottles of wine sold was 51.9 million (2010: 63.2 million). Sales of red wines continued to be the Group’s main revenue contributor, accounting for approximately 84% of the total revenue (2010: 82%). 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 further towards high-end products and the lower trade discounts offered to distributors, the Group’s average ex-winery sales price was higher than the average price of HK\$25.5 per bottle (750ml) in 2010.

Dynasty is selling a range of more than 100 wine products under the “Dynasty” brand, mainly in the mid-range to high-end segments. The Group also sold foreign brand wines mainly imported from France, Italy, Germany, the United States of America, Chile and Spain, introducing some “old world” and “new world” varietals to cater for the customers preferring the taste of foreign premium wines. The Group currently carries more than 390 products from approximately 100 imported wines brands. Sales of imported products in 2011 more than doubled compared with that in 2010. As the trend of increasing wealth and the disposable income of consumers aspiring to a higher status broadens, this will benefit the sales of Dynasty’s mid-range and high-end products and imported wines. The Group is well-positioned to seize this opportunity to further enhance the high-end market development and enhance its market share.

29/3/2012

In order to expand the sales channels, enhance market influence, the first “Dynasty Club” was opened in Shanghai in 2009. In addition, the Group had two self-operated retail shops in Tianjin, one self-operated retail shop in Shanghai and 71 franchised retail shops across various provinces and cities in the PRC, directly selling a variety of Dynasty wines and imported wines to customers. The Group is planning to increase the number of retail shops in appropriate locations through a progressive and disciplined growth strategy with a target of having approximately 100 shops in the first half of 2012. The Group launched an e-commerce business in 2010 by setting up an online platform – www.i9wang.com (王朝愛酒網) aimed at leveraging the popularity of the Internet in China. The Group’s online platform has a huge business potential as the online trading business in China should grow steadily in the coming years.

To ensure its long term development, the Group will also explore appropriate acquisition or investment opportunities. We are currently in discussion with and review of a boutique wine company carrying two brands and three vineyards, located at the top of New Zealand’s South Island. If the acquisition proceeds, Dynasty plans to introduce the high quality local white grapes to brew the high-end wine, thereby enriching its product portfolio. As the results of the Governments of China and New Zealand implementing zero tariffs, introduction of local New Zealand grape wines will help to enhance the Group’s competitiveness.

Mr Bai concludes, “In 2011, the China wine market exceeded that of the UK and it has become the world’s fifth-largest consumption country of grape wine at 156 million cases of grape wine products. As the living standard of residents and their demand increases, we believe that the consumption of grape wines in China will maintain growth, creating immense opportunities for the industry. To capture these market opportunities, we will complete the reform on the sales and distribution model as soon as possible in order to form a solid foundation for our long term development. At the same time, we will expand our sales network and market the ‘Dynasty’ brand through different channels including large scale promotion activities. We are also optimising our product mix, focusing on the mid-range to high-end grape wine products and eliminating low-end products so as to enhance the Group’s overall competitiveness and consolidating our industry leadership.”

- End -

29/3/2012

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 2011. In 2009, it was awarded the Credible Enterprise of China Accreditation 2010-2012. In 2009 and 2011, the Group was listed as one of the “The Asset Triple A – China’s Most Promising Companies” under the food and beverages industry category by The Asset magazine. In 2010, the Group was awarded the Most Innovative and Competitive Brand in China’s Liquor Industry organized by China Wine magazine. In 2010 and 2011, Dynasty achieved “Top Ten Greatest Satisfaction Brands (Industry) in China” Award organized by China General Chamber of Commerce for 2 consecutive years. In 2011, Dynasty garnered the “Chinese Listed Company with the Most Influential Brand Overseas” award in the 2011 China Securities Golden Bauhinia Award and the bronze award under the tasting category “Cabernet Sauvignon – 2005” in the 2011 Cathay Pacific Hong Kong International Wine and Spirit Competition.

For press enquiries:

Strategic Financial Relations (China) Limited

Ms. Esther Lau	Tel: 2864 4845	Email: esther.lau@sprg.com.hk
Ms. Janice Au	Tel: 2864 4874	Email: janice.au@sprg.com.hk
Ms. Katty Cheung	Tel: 2864 4850	Email: katty.cheung@sprg.com.hk
Ms. Fanny Yuen	Tel: 2864 4838	Email: fanny.yuen@sprg.com.hk
Ms. Eva Liu	Tel: 2114 4941	Email: eva.liu@sprg.com.hk

29/3/2012

Dynasty Fine Wines Group Limited Consolidated Income Statement

	Year Ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Revenue	1,445,117	1,614,610
Cost of sales	(841,379)	(801,907)
Gross profit	603,738	812,703
Other income	27,753	24,715
Distribution costs	(468,298)	(491,021)
Administrative expenses	(143,921)	(118,705)
Operating profit	19,272	227,692
Share of loss of an associate	(83)	(1,372)
Profit before income tax	19,189	226,320
Income tax expense	(17,003)	(69,259)
Profit for the year	2,186	157,061
Attributable to:		
Owners of the Company	4,267	158,808
Non-controlling interests	(2,081)	(1,747)
	2,186	157,061
Basic earnings per share (HK cents)	0.34	12.74