

[For immediate release]

# DYNASTY

酒的王朝

## DYNASTY ANNOUNCES 2012 INTERIM RESULTS

\* \* \* \*

**CONTINUES TO PUSH FORWARD REFORM OF SALES AND DISTRIBUTION MODEL  
TO IMPROVE OPERATIONAL EFFICIENCY  
EFFECTIVE OUTCOME FROM UPGRADING PRODUCT MIX  
OPTIMISATION OF PRICING STRUCTURE IN PROGRESS**

### Financial Highlights (unaudited)

	Six Months Ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Revenue	556,439	790,686
Gross Profit	246,700	329,286
(Loss) / Profit Attributable to Owners	(4,697)	52,652
Gross Profit Margin	44%	42%
Net Profit Margin	-1%	7%
Basic (Loss) / Earnings per Share (HK cents)	(0.4)	4.2

(Hong Kong, 29 August 2012) – Dynasty Fine Wines Group Limited (“Dynasty” or “the Group”) (Stock Code: 828), a premier grape winemaker in China, today announced its unaudited interim results for the six months ended 30 June 2012.

During the review period, the average ex-winery sales price of the Group’s grape wine products increased due to the further optimisation of its product mix. However, the sales volume recorded a decrease as a result of the ongoing implementation of reform of its sales and distribution model. Consequently, the revenue decreased by 30% to HK\$556 million. Loss attributable to owners was HK\$4.7 million. The gross profit margin increased by 2ppt to 44%, mainly attributable to gradual improvement in product mix with a higher margin partially offset by the impact of increase in unit cost of manufacturing overheads due to lower utilization rate of production capacity. Basic loss per share was HK0.4 cents. As at 30 June 2012, the Group’s bank deposits, cash and cash equivalents, and fixed deposits amounted to HK\$218 million and there was no debt.

29/8/2012

**Mr. Bai Zhisheng, Chairman and Executive Director of Dynasty**, said, “Sales volume of our grape wine products was affected during the period as a result of weaker domestic demand amidst the slower economic growth in China and impact of imported grape wines in the first half of 2012. Another factor was the slower than expected implementation of the reform of our sales and distribution model which has been implemented since the first half of last year. However, the reform is now progressing according to plan. During the period under review, we proactively integrated underperforming distributors while bolstering the support of our committed distributors who have aligned with our reform. We strongly believe that the reform will strengthen our control over retail prices and greatly reduce operational expenses, and thus enhance our profitability in the long run. Moreover, we have launched more high-end products to further upgrade our product mix which has effectively pushed up the average ex-winery sales price of our grape wine products. We believe the Group is moving in the right direction and more positive results should be forthcoming.”

The Group’s average ex-winery sales price of wine products exceeded HK\$27.8 per bottle (750ml), the price for the whole year of 2011. The total number of bottles of grape wine sold decreased to approximately 16.9 million bottles (1H 2011: 30.9 million bottles). Sales of red grape wines continued to be the Group’s primary revenue contributor, accounting for approximately 85% of the Group’s revenue (1H 2011: 81%).

The Group produces and sells more than 100 grape wine products under the “Dynasty” brand, mainly in the medium range to high end segments. During the period, premium grape wine products, such as “Jue” (Noble) Cask Collection (Dynasty Merlot Dry Red Wine) – Elegance and Imperial, and Chateau Dynasty – Grand Wine 2005 were enthusiastically received and recorded encouraging growth. Dynasty seized the opportunity presented by the increasing popularity of imported grape wines in the PRC market to develop the business. During the period, it introduced approximately 420 imported products under 90 brands, mainly from France, Italy, Germany, the US, Chile, Spain and New Zealand. The sales volume of imported products was higher than that in the second half year of 2011. The increasing disposable income of consumers aspiring to a higher status as well as the pursuit of upper-class leisure enjoyment is boosting demand for premium Dynasty and imported grape wines. The Group is making the most of this opportunity to further enhance the development of the high-end market and enhance its market share.

29/8/2012

In order to sell a variety of Dynasty grape wines as well as imported grape wines to customers more directly, the Group has continued to optimise and expand its sales channels. The Group has emphasized the development of franchised retail shops. Currently, the Group has opened 100 franchised retail shops across various provinces and cities in the PRC and targets to increase the number to approximately 200 by the end of 2012. However, periodic rationalisation of non-productive shops, rising property prices and rentals, and a lack of suitable shop locations for franchise partners may cause a slight delay in reaching the target number.

**Mr. Bai** concludes, “In the second half of 2012, the grape wine industry will benefit as China’s economy transforms from investment-driven expansion to consumption-driven growth. With the increasing demand for quality grape wines among Chinese citizens, the grape wine industry is expected to maintain its steady annual growth. Meanwhile, to encourage domestic wineries to upgrade their product quality, the Chinese Government has set more rigid requirements on the industry so as to eliminate small and low-end wineries with sub-standard capacity creating a more favourable environment for premium grape winemakers such as Dynasty. Under the ‘Twelfth Five-year Plan of the Grape Wine Industry’, the production of grape wine in China will increase to 2.2 billion litres by 2015. The growth is expected to create huge opportunities for domestic grape winemakers. To capture the enormous potential in the market, Dynasty aims to conclude the reform of its sales and distribution model as soon as possible, so as to improve our operational efficiency and lay a solid foundation for long-term development. We also intend to optimise our product mix to keep abreast of market development trends, enhance our competitiveness and consolidate our leading position in the market.”

29/8/2012

## About Dynasty Fine Wines Group Limited

Founded in 1980, Dynasty is the premier grape winemaker 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 produces and sells more than 100 grape wine products as well as markets 420 imported ones, providing customers across all consumer strata in the PRC with high quality products offering excellent value for money. Dynasty wines have been included 13 times on the list of Best Selling Grape Wines in China published by the China Industry and Enterprise Information Centre between 1997 and 2011. In 2009, it was awarded the Credible Enterprise of China Accreditation for 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 organised by *China Wine* magazine. In 2010 and 2011, Dynasty was honoured with the “Top Ten Greatest Satisfaction Brands (Industry) in China” organised by the China General Chamber of Commerce for two consecutive years. Dynasty was also listed as one of the “Chinese Listed Companies with the Most Influential Brand Overseas” 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 Spirits Competition.

### For press enquiries:

#### Strategic Financial Relations (China) Limited

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

29/8/2012

## Dynasty Fine Wines Group Limited Condensed Consolidated Income Statement

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	<b>556,439</b>	790,686
Cost of Sales	<b>(309,739)</b>	(461,400)
Gross Profit	<b>246,700</b>	329,286
Other Income	<b>6,329</b>	20,076
Distribution Costs	<b>(183,241)</b>	(215,405)
Administrative Expenses	<b>(67,706)</b>	(61,825)
Operating Profit	<b>2,082</b>	72,132
Share of Loss of an Associate	<b>(244)</b>	(68)
Profit before Income Tax	<b>1,838</b>	72,064
Income Tax Expense	<b>(8,574)</b>	(20,414)
<b>(Loss) / Profit for the Period</b>	<b>(6,736)</b>	51,650
<b>(Loss) / Profit Attributable to:</b>		
Owners of the Company	<b>(4,697)</b>	52,652
Non-controlling Interests	<b>(2,039)</b>	(1,002)
	<b>(6,736)</b>	51,650
<b>Basic (Loss) / Earnings per Share (HK cents)</b>	<b>(0.4)</b>	4.2