

Chairman's Statement



He Xiuheng
Chairman & Executive Director

Growing into a Stronger Future

The strong financial performance in 2004 affirmed Dynasty's ability to generate sustainable healthy returns for its shareholders

Strong Results

The fiscal year of 2004 was a remarkable year for Dynasty. Compared with the previous year, our turnover surged 20.4% to RMB852.9 million and net profit attributable to shareholders also rose 41.4% to RMB175.9 million. Earnings per share, on a pro forma basis as if 900,000,000 shares were outstanding since 1 January 2003, was RMB0.20 per share (2003 - RMB0.14 per share).

The strong financial performance in 2004 affirmed Dynasty's ability to generate sustainable healthy returns for its shareholders.

Successful IPO

During the year, we devoted our efforts in growing our business and also in laying all the ground work for the listing. Supported by our dedicated staff, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 January 2005. The placing and public offer were well received by both institutional and public investors and, in particular, the public offer was over subscribed by more than 600 times. Upon the completion of the placing and public offer, we had issued a total of 345,000,000 new shares, including the shares issued upon the exercise of the over-allotment



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option. The gross proceeds from the placing and public offer amounted to approximately HK\$776.3 million (equivalent to approximately RMB822.8 million). The satisfactory results of the placing and public offer reflected the confidence of investors in the future of our Group as well as the grape wine industry in the People's Republic of China (the "PRC").

Investment in the Future

We are very clear about our responsibility towards our shareholders and their expectations and we understand that there is no room for complacency. Every cent of our fund raised will be responsibly applied to further enhance our competitive edges and generate greater returns for our shareholders. Our present priority is to increase our production capacity from the current 30,000 tonnes to 50,000 tonnes annually. We expect to reach this goal as early as mid 2006. Expanding our production capacity will be instrumental in helping the Group in strengthening its leading position in the market. Our management has also started to consider accelerating the building of new facilities. In the light of recent market developments pointing to increasing demand for grape wines, the Group is mapping out new sales and marketing strategies for its products.

Up to the date of this report, the Group has completed the acquisition of Smiling East at a consideration of HK\$47.0 million (equivalent to approximately RMB49.8 million). The acquisition helps to secure our grape juice supplies. We will continue to seek and consider other acquisitions that would benefit different aspects of our operations.

The listing was a key milestone in the development of Dynasty

Vision

The listing was a key milestone in the development of the Group and provided us the platform to become an even stronger leader in the fast growing PRC wine market. We are as optimistic just as our investors are about the growth potential of the wine market in the PRC, as the per capita consumption of grape wine in the country was only 0.22 litre and the wine sector represented only 1% of its entire alcoholic drinks market in 2003. Although there are challenges ahead in terms of competition from domestic and foreign players, we are confident of winning the competition because we are armed with unique competitive advantages including strong brand recognition, a well established nationwide distribution network, consistent high quality of our products, strong partnership with *Remy Cointreau*, an experienced and dedicated management team and our highly skilled and efficient workforce.

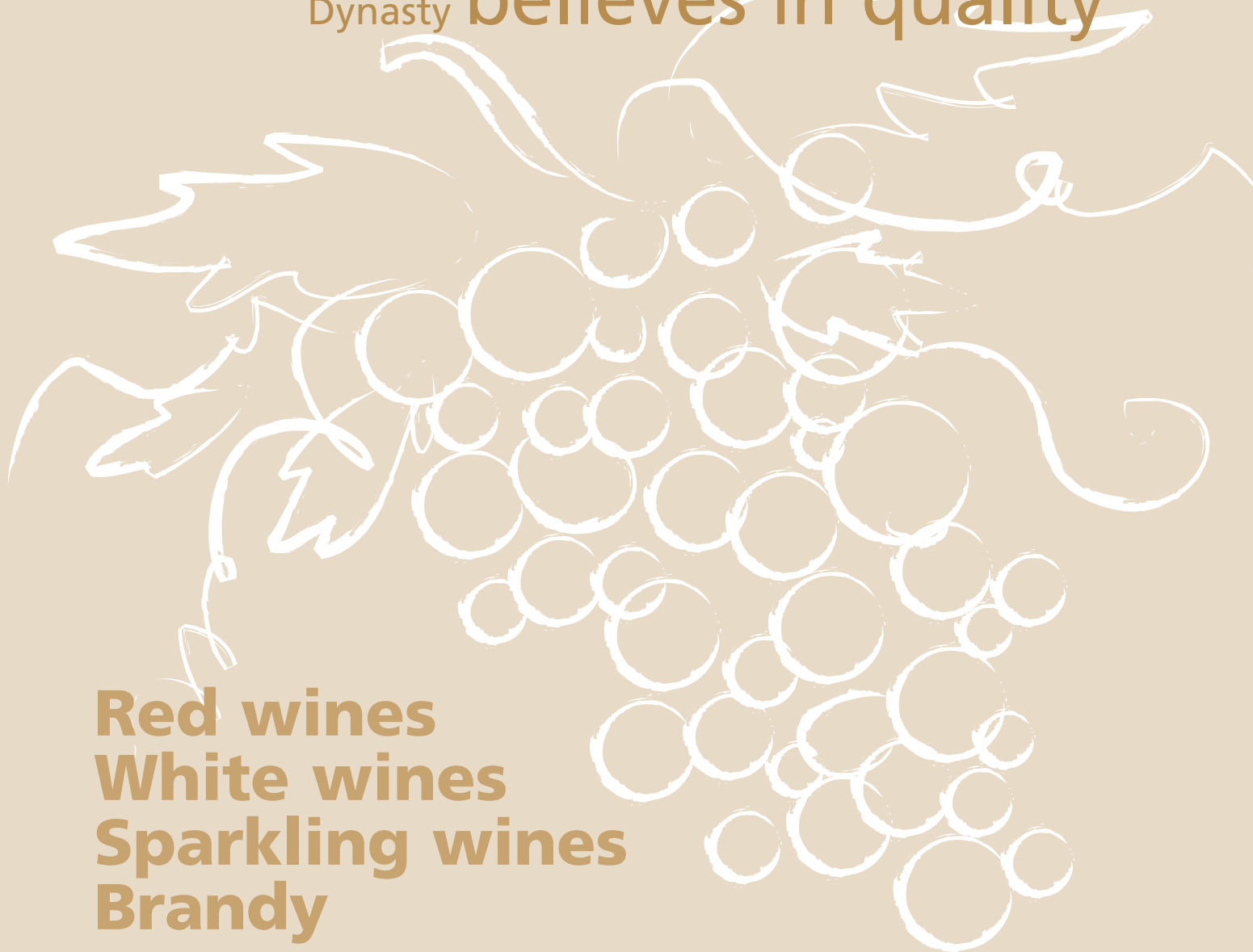
We need a new vision for the future and are in the process of establishing it. In the meantime, we will strive not only to be the leading premier wine manufacturer in the PRC but also to become an internationally recognised and respected player in terms of the size of our operations, brand status, returns on equity and our ability to sustain growth. Of course, as a corporate citizen, we will always keep in mind our social responsibilities to the environment and the community where we operate.

Finally, I wish to thank all of those who had contributed to the Group's successful listing and its outstanding financial performance in 2004. I also wish all our customers, shareholders and employees another good and productive year in 2005.

He Xiuheng

Chairman & Executive Director

From grape growing, harvesting,
to every single step of wine making,
Dynasty **believes in quality**



Red wines
White wines
Sparkling wines
Brandy

