

## Chairman's Statement

With its strong capital structure and robust cash flow, Dynasty would bring sustainable and healthy returns to our shareholders.

**Bai Zhisheng**  
*Chairman  
& Executive Director*



I am pleased to present to all shareholders the annual results of Dynasty Fine Wines Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2006.

### Results

The Group achieved a turnover amounting to HK\$1,114.1 million in the financial year ended 31 December 2006, representing an increase of 17.6% as compared with HK\$947.5 million for the previous year. The Group's profit attributable to equity holders of the Company is HK\$114.8 million, which is 35.9% lower than the previous year's profit of HK\$179.0 million. Earnings per share for the year amounted to HK\$0.092 per share (2005 — HK\$0.147 per share).

Profit for the year was lower than last year mainly due to rising distribution costs. The increased expenditure was spent to fight against competition and to maintain and expand our market position in our traditional market as well as new regional market. It is hoped such increased investment in the marketplace would bring stronger sales in the year ahead.

### Dividends

An interim dividend of HK3.0 cents per Share (2005 — HK3.7 cents per Share) was paid in November 2006. With the Group in a strong financial position enjoying strong cash flow from operations and a fortifying equity base, the Board recommends payment of a final dividend of HK1.2 cents per Share for the financial year ended 31 December 2006, making a total dividend payment of HK4.2 cents per Share for the full financial year. This translates into a 46% (2005 — 40%) dividend payout ratio of the current year profit, which represents a prudent decision to provide shareholders with a favorable cash return while continuing to operate the Group with the optimum shareholders' funds.

## Chairman's Statement *(Continued)*

### Business review

To further enhance Dynasty's brand recognition on the world stage, the Group took part in the Vinexpo, the internationally renowned bi-annual wine exhibition held in Hong Kong in May 2006. Over 20 premier Dynasty products were presented during the exhibition and Dynasty as China's leading premier wine brand received widespread attention and media coverage.

The Group's first-phase capacity expansion from 30,000 tonnes to 50,000 tonnes was completed in mid 2006 and commenced production during the year, thereby further strengthening the Group's strong market position and providing a strong basis for its future development.

The Group completed the acquisition of Dynasty Yuma Vineyard (Ning Xia) Co. Ltd. (formerly known as Ning Xia Heavenly Palace Yuma Winery Co., Ltd.) at a consideration of HK\$11.49 million in January 2007. The acquisition has strategic value to the Group as through the acquisition, the Group has secured a stable and high quality supply of grape juice to support the anticipated growth, which will attribute to the future success.

### Outlook

Looking forward, the good grape harvest in the PRC in 2006 will lower the average cost of grape juice which would help to improve our margins. While we continue to invest in the marketplace, the Group is implementing measures to effectively monitor and control the increase in distribution costs and to improve the operational efficiency such that Dynasty's earning performance can be enhanced. Dynasty will continue to leverage on our strong partnership with Remy Cointreau, expanded production capacities, consistent high quality of product mix, strong brand recognition and extensive distribution network, and create value for its shareholders.

### Acknowledgement

I would like to take this opportunity to thank our shareholders, customers, suppliers and business partners for their continued support. I also wish to express my sincere gratitude to our highly competent and dedicated directors, management team and all our staff for their contribution during 2006.



#### Bai Zhisheng

*Chairman and Executive Director*