

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Dynasty Fine Wines Group Limited

王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 828)

**UPDATE ON RECENT DEVELOPMENT OF SUSPENSION
AND BUSINESS OF THE GROUP
AND
DELAY IN PUBLICATION OF 2014 INTERIM RESULTS**

This announcement is made by Dynasty Fine Wines Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the “**Announcements**”) of the Company dated 14 March 2013, 22 March 2013, 26 March 2013, 30 April 2013, 31 May 2013, 28 June 2013, 31 July 2013, 21 August 2013, 30 August 2013, 25 September 2013, 8 October 2013, 31 October 2013, 29 November 2013, 31 December 2013, 28 January 2014, 28 February 2014, 27 March 2014, 28 April 2014, 30 May 2014, 30 June 2014 and 31 July 2014. Capitalised terms used herein shall have the same meaning as those defined in the Announcements unless the context otherwise requires.

RESUMPTION CONDITIONS

As set out in the announcement dated 8 October 2013, the Company is currently working with its advisers to take the necessary steps to fulfill the Resumption Conditions imposed by the Stock Exchange. As at the date of this announcement, the current status is as follows:–

Internal Investigation

As mentioned in the Announcements, Ernst & Young has carried out the additional steps (including document reviews, interviews, etc.) to follow up on the outstanding matters noted in the Interim Investigation Report. As at the date of this announcement, the Board wishes to inform the Shareholders that regarding the update of the Internal Investigation, the AC and

the management of the Company has made its best effort to meet and will continue to liaise and meet with various professional parties to further discuss and clarify the update and also to seek their comments or opinions on the update as soon as practicable. In order to fulfill the Resumption Conditions and obtain the comments or opinions, the management of the Company will continue to review on the update and will assess whether there are any impact on the draft management accounts of the Group. The management of the Company will inform the assessment result to the professional parties once the review is completed. After the discussion, clarification or obtaining comments or opinions, the AC will consider making a report to the Board and the management of the Company will inform the Board what actions the management of the Company would propose to take in order to continue the audit. Further announcement will be made by the Company as and when appropriate.

Publication of 2012 Annual Results, 2013 Interim Results and 2013 Annual Results

The Company is currently liaising with PwC to continue their works (including meeting with the management of the Company etc.) in respect of the audit on the 2012 Annual Results and the 2013 Annual Results. Since the update of the Internal Investigation has not been finalised as at the date of this announcement, no timetable for completion of the audit on the 2012 Annual Results and the 2013 Annual Results can be fixed.

A detailed resumption timetable will be prepared and fixed after completion of the Internal Investigation and the audit on the 2012 Annual Results and the 2013 Annual Results. Further announcement will be made by the Company as and when appropriate.

UNAUDITED FINANCIAL INFORMATION

Set out below is an extract of the unaudited financial information from the draft management accounts of the Group for each of the six months ended 30 June 2013 and 2014 and the years ended 31 December 2012 and 2013. However, the relevant financial information is pending for further review by the Company and the relevant professional parties, as well as the potential adjustments and finalisation that might be incurred during the audit and subject to the outcome of assessment on the update of the Internal Investigation, and which also have not been reviewed or audited and approved by the Company's auditor and the AC. The actual audited results of the Group for each of the six months ended 30 June 2013 and 2014, and the years ended 31 December 2012 and 2013 may be different from the disclosure in this announcement.

UNAUDITED FINANCIAL INFORMATION – CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 30 June		Unaudited for the years ended 31 December	
	2014	2013	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	324,784	393,629	781,617	953,907
Cost of sales	(226,135)	(260,549)	(541,784)	(568,274)
Gross profit	98,649	133,080	239,833	385,633
Other income	5,609	2,744	7,408	7,103
Distribution costs	(99,532)	(177,939)	(432,349)	(384,684)
Administrative expenses	(64,441)	(66,772)	(154,877)	(185,865)
Operating loss	(59,715)	(108,887)	(339,985)	(177,813)
Finance costs	(2,191)	(1,913)	(5,428)	(1,707)
Share of loss of an associate	–	–	–	–
Loss before income tax	(61,906)	(110,800)	(345,413)	(179,520)
Income tax expense	(1,733)	(10,368)	(10,856)	(10,961)
Loss for the period/year	<u>(63,639)</u>	<u>(121,168)</u>	<u>(356,269)</u>	<u>(190,481)</u>
Attributable to:				
Owners of the Company	(63,444)	(121,118)	(356,058)	(187,882)
Non-controlling interests	<u>(195)</u>	<u>(50)</u>	<u>(211)</u>	<u>(2,599)</u>
	<u>(63,639)</u>	<u>(121,168)</u>	<u>(356,269)</u>	<u>(190,481)</u>

**UNAUDITED FINANCIAL INFORMATION – CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION**

	As at			
	30 June 2014	30 June 2013	31 December 2013	31 December 2012
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	501,678	554,164	532,971	558,992
Leasehold land and land use rights	66,236	65,184	66,455	63,609
Goodwill	9,421	9,421	9,421	9,421
Investment in an associate	–	–	–	–
Prepayment	3,107	6,191	4,708	7,605
Deferred income tax assets	12,972	12,923	13,104	12,700
	<u>593,414</u>	<u>647,883</u>	<u>626,659</u>	<u>652,327</u>
Current assets				
Trade receivables	261,534	364,586	286,457	330,666
Other receivables, deposits and prepayments	42,643	71,433	48,825	124,117
Inventories	873,289	1,025,366	971,818	974,370
Prepaid income tax	14,453	15,448	15,220	15,542
Restricted cash	629	–	636	617
Cash and bank balances	187,079	189,736	215,897	293,657
	<u>1,379,627</u>	<u>1,666,569</u>	<u>1,538,853</u>	<u>1,738,969</u>
LIABILITIES				
Current liabilities				
Trade payables	171,184	211,648	239,357	186,379
Other payables and accruals	273,711	272,751	318,771	279,735
Short-term bank loans	62,972	71,518	63,613	73,983
Current income tax liabilities	–	–	445	–
	<u>507,867</u>	<u>555,917</u>	<u>622,186</u>	<u>540,097</u>
Total liabilities	<u>507,867</u>	<u>555,917</u>	<u>622,186</u>	<u>540,097</u>
NET ASSETS	<u>1,465,174</u>	<u>1,758,535</u>	<u>1,543,326</u>	<u>1,851,199</u>

The Board wishes to remind investors that the above financial data extract are based on the Group's unaudited draft management accounts. Investors are cautioned not to unduly rely on such data.

UPDATE ON BUSINESS OF THE GROUP

For the six months ended 30 June 2013 and 2014

Revenue and sales analysis

Revenue of the Group represents proceeds from sale of wine products. For the six months ended 30 June 2014, it decreased by 17% to approximately HK\$325 million from approximately HK\$394 million for the corresponding period in 2013. The drop in revenue was the result of a decrease in sales volume and the decrease in average ex-winery sales price.

The sales volume decreased compared to same period last year as a result of (1) government policy of restrictions on entertainment and hospitality; and (2) weaker demand of domestic wine products amid the slower economic growth in the People's Republic of China and impact of imported wines.

The average ex-winery sales price decreased compared to same period last year because of shift of product mix to more medium to low-end products in response to the market demand.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and other taxes, and gross invoiced sales. The overall gross profit margin of the Group was 30% for the six months ended 30 June 2014, a decrease of 4 percentage points from 34% for the corresponding period in 2013. Such decrease was mainly a result of shift of product mix to more medium to low-end products in response to the market demand.

Loss attributable to owners

The unaudited consolidated loss for the period was mainly attributable to the decrease in revenue, gross profit and its margin. The distribution costs and administrative expenses (including legal and professional fee incurred for the Internal Investigation) fully offset the gross profit, resulting in a loss for the period. The amount of the unaudited consolidated loss for the six months ended 30 June 2014 was significantly less than unaudited consolidated loss for the same period last year, subject to adjustments and finalisation. Such decrease in the amount of loss was primarily due to the distribution cost saving following the effective implementation of cost control policy.

For the years ended 31 December 2012 and 2013

Revenue and sales analysis

Revenue of the Group represents proceeds from sale of wine products. For the year ended 31 December 2013, it decreased by 18% to approximately HK\$782 million from approximately HK\$954 million in 2012. The drop in revenue was the result of a decrease in sales volume.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and other taxes, and gross invoiced sales. The overall gross profit margin of the Group was 31% for the year ended 31 December 2013, a decrease of 9 percentage points from 40% in 2012. Such decrease in sales volume, gross profit and its margin compared to 2012 was mainly because of (1) weaker demand of domestic wine products, especially high-end wine products, amid the unfavourable macroeconomic factors and market conditions in the People's Republic of China and impact of imported wines; and (2) government policy of restrictions on entertainment and hospitality.

Loss attributable to owners

The unaudited consolidated loss for the year was mainly attributable to the decrease in revenue, gross profit and its margin. The distribution costs and administrative expenses (including legal and professional fee incurred for the Internal Investigation) fully offset the gross profit, resulting in a loss for the year. The amount of the unaudited consolidated loss for the year ended 31 December 2013 was significantly higher than unaudited consolidated loss for the last year, subject to adjustments and finalisation. Such increase in the amount of loss was primarily due to the decrease in gross profit, an increase in distribution costs as a percentage of revenue compared to the previous year's due to continuous increase in investment in brand building, sales and marketing in response to the market change and sustainable development of the Company; and an increase in administrative expenses in respect of legal and accounting professional services.

DELAY IN PUBLICATION OF 2014 INTERIM RESULTS

Pursuant to Rule 13.49(6) of the Listing Rules, the Company is required to publish the interim results of the Group for the six months ended 30 June 2014 (the "**2014 Interim Results**") on a date not later than two months after the end of the financial period, i.e. 31 August 2014.

The Board wishes to inform the Shareholders that the update of the Internal Investigation has not been finalised and PwC indicated that it would only be able to continue their work to complete the audit on the 2012 Annual Results upon the completion of the Internal Investigation, the publication of the 2012 Annual Results and the 2013 Annual Results and the despatch of 2012 Annual Report and the 2013 Annual Report will continue to be delayed. Due to the incompleteness of the audit of the 2012 Annual Results and the 2013 Annual Results and subject to the results of the Internal Investigation, the progress of the preparation and finalisation of the 2014 Interim Results are affected and delayed. As such, the publication of the 2014 Interim Results will be delayed and such delay constitutes a breach of Rule 13.49(6) of the Listing Rules.

The Company will issue further announcement to inform the Shareholders should the date of the Meeting, the publication date of the 2012 Annual Results, the 2013 Interim Results, the 2013 Annual Results and the 2014 Interim Results, the date of despatch of the 2012 Annual Report, the 2013 Interim Report and the 2013 Annual Report have been determined.

OTHER UPDATE

Reference is also made to the announcement of the Company dated 14 May 2014 in relation to a search warrant issued by the magistrate's court in Hong Kong to enter and search the premises of the Company's principal place of business in Hong Kong. The Company wishes to inform the Shareholders that the Company is currently actively cooperating with the authorities in compliance with the search warrant, the relevant laws and the Company's rights associated therewith.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 March 2013 and will remain suspended until further notice.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
DYNASTY FINE WINES GROUP LIMITED
Hao Feifei
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Hao Feifei, Mr. Yin Jitai, Mr. Sun Yongjian and Mr. Huang Yaqiang, five non-executive Directors, namely, Mr. Heriard-Dubreuil Francois, Ms. Shi Jing, Mr. Jean-Marie Laborde, Mr. Wong Ching Chung and Mr. Robert Luc, and three independent non-executive Directors, namely, Dr. Hui Ho Ming, Herbert, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee.