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## **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)

### **CONNECTED TRANSACTION**

Pursuant to the Sale and Purchase Agreements, Dynasty Winery, an indirect wholly-owned subsidiary of the Company, has agreed to acquire certain properties situated in Tianjin and machinery and equipment from the Vendor at a total consideration of RMB3,095,470 (equivalent to approximately HK\$2,976,413).

The Vendor is a wholly-owned subsidiary of Tianjin Development, a substantial shareholder (within the meaning ascribed to it in the Listing Rules) of the Company. The Acquisition therefore constitutes a connected transaction for the Company. Since, each of the applicable ratios is less than 2.5%, the Acquisition is only subject to reporting and announcement requirements and is exempt from independent shareholders' approval under Rule 14A.32 of the Listing Rules. Details of the transaction will be included in the next published annual report and accounts of the Company.

#### **PREMISES ACQUISITION AGREEMENT**

Date : 28 November 2005

Purchaser : Dynasty Winery

Vendor : Heavenly Palace

Consideration: RMB1,694,635 (equivalent to approximately HK\$1,629,456)

Pursuant to the Premises Acquisition Agreement, Dynasty Winery, an indirect wholly-owned subsidiary of the Company, has agreed to acquire certain premises situated in Tianjin.

## **MACHINERY AND EQUIPMENT ACQUISITION AGREEMENT**

Date : 28 November 2005

Purchaser : Dynasty Winery

Vendor : Heavenly Palace

Consideration: RMB1,400,835 (equivalent to approximately HK\$1,346,957)

Pursuant to the Machinery and Equipment Acquisition Agreement, Dynasty Winery, an indirect wholly-owned subsidiary of the Company, has agreed to acquire certain machinery and equipment.

The Premises Acquisition Agreement and the Machinery and Equipment Acquisition Agreement are not inter-conditional.

### **CONSIDERATION**

The total consideration of RMB3,095,470 (equivalent to approximately HK\$2,976,413) for the Acquisition was agreed on an arm's length basis between Dynasty Winery and the Vendor and on normal commercial terms. In determining the consideration, the Group has considered, among other factors, the Asset's aggregate unaudited net book value of RMB3,095,470 (equivalent to approximately HK\$2,976,413) as at 31 August 2005. The original purchase cost of these Assets by Vendor is RMB7,882,574 (equivalent to approximately HK\$7,579,398).

The consideration for the Acquisition will be funded by the Group's internal resources. Part of the consideration in the amount of RMB1,400,835 (equivalent to approximately HK\$1,346,957) shall be paid in cash by Dynasty Winery within 10 days from the date of the Sale and Purchase Agreements, the balance of RMB1,694,635 (equivalent to approximately HK\$1,629,456) will be paid in cash within 3 days after the application by the parties for registration of transfer of the Premises. If the building title certificate is not obtained within 180 days from the date of Premises Acquisition Agreement, the Vendor will refund the consideration in relation to the Premises to Dynasty Winery. There is no obligation arises if Dynasty Winery fails to pay the consideration according to the payment schedule.

### **INFORMATION ON CERTAIN PROPERTIES SITUATED IN TIANJIN, MACHINERY AND EQUIPMENT**

Prior to the Acquisition, the Assets were leased by Heavenly Palace to Dynasty Winery pursuant to the Tenancy Agreement. Monthly rental payable is RMB300,000 (equivalent to approximately HK\$288,462).

The Assets being acquired was previously the subject matter of a continuing connected transaction and the Stock Exchange has granted to the Company, a waiver in respect of the assets leased from Heavenly Palace from strict compliance in respect of the announcement requirements pursuant to Rule 14A.42(3) of the Listing Rules.

## **REASON FOR THE ACQUISITION**

Dynasty Winery is principally engaged in production and sale of grape wine products. Upon Completion, the Assets will be directly owned and controlled by the Group. The Tenancy Agreement will expire on 31 December 2005, so in order to enhance the administrative efficiency, the Board decided to enter into the Sale and Purchase Agreements to eliminate connected transactions in the future. In addition, as the Group has used the Assets including machinery and equipment for pressing, filtration, refrigeration processes and for storage purposes, which facilitate its wine production since 1997, and the consideration is determined based on arm's length negotiation between Dynasty Winery and Heavenly Palace with reference to net book value of the Assets as at 31 August 2005, the Directors (including the independent non-executive Directors) believe that it is beneficial to the Group to enter into the Sale and Purchase Agreements and consider the terms of the Acquisition including, inter alia, the consideration and the terms of payment under the Acquisition to be fair and reasonable, on normal commercial terms and in the interests of the shareholders of the Company as a whole. The Board considers that there will be no material adverse impact on the operation of the Company after the Acquisition.

## **CONNECTED TRANSACTION**

Heavenly Palace is a wholly-owned subsidiary of Tianjin Development which is a substantial shareholder (within the meaning ascribed to it in the Listing Rules) of the Company. Accordingly, the Vendor is a connected person of the Company within the meaning of the Listing Rules and thus the Acquisition constitutes a connected transaction for the Company. Since each of the applicable ratios is less than 2.5%, the Acquisition is only subject to reporting and announcement requirements and is exempt from independent shareholders' approval under Rule 14A.32 of the Listing Rules. Details of the transaction will be included in the next published annual report and accounts of the Company.

## **DEFINITIONS**

“Acquisition”	the acquisition by Dynasty Winery from the Vendor of the Assets;
“Assets”	the Premises and Machinery and Equipment;
“Board”	the board of directors of the Company;
“Company”	Dynasty Fine Wines Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 29 July 2004 and the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreements;
“Director(s)”	the director(s) of the Company;
“Dynasty Winery”	Sino-French Joint-Venture Dynasty Winery Ltd.* (中法合營王朝葡萄釀酒有限公司), a Sino-foreign enterprise established in the PRC with limited liability on 25 March 1980 and has become a wholly owned foreign enterprise since August 2004. It is an indirect wholly-owned subsidiary of the Company;

“Group”	the Company and its subsidiaries;
“Heavenly Palace”	Tianjin Heavenly Palace Winery Co., Ltd.* (天津天宮葡萄釀酒有限公司), formerly a state-owned enterprise known as Tianjin City Heavenly Palace Company* (天津市天宮葡萄釀酒公司). It was later reorganised as a wholly-owned foreign enterprise pursuant to the reorganisation of Tianjin Development for a term of 50 years commencing on 25 October 1997 and is a wholly-owned subsidiary of Tianjin Development and a former shareholder of Dynasty Winery. Its principal activity is investment holding;
“HK\$”	the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Machinery and Equipment”	the machinery and equipment for wine production situated in Bei Chen District, Tianjin;
“Machinery and Equipment Acquisition Agreement”	the agreement dated 28 November 2005 entered into between Dynasty Winery as the purchaser and Heavenly Palace as the vendor in relation to the acquisition of the Machinery and Equipment;
“PRC”	the People’s Republic of China;
“Premises”	the premises situated in Bei Chen District, Tianjin and comprise of factory, laboratory, store room, filling workshop and red wine workshop with a total area of approximately 3,600 sq.m. in the Premises Acquisition Agreement;
“Premises Acquisition Agreement”	the agreement dated 28 November 2005 entered into between Dynasty Winery as the purchaser and Heavenly Palace as the vendor in relation to the acquisition of the Premises;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreements”	the Premises Acquisition Agreement and the Machinery and Equipment Acquisition Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto in section 2 of the Companies Ordinance;
“sq.m.”	square meter;

“Tenancy Agreement”	a tenancy agreement dated 1 January 2003 in respect of the Assets entered into between Dynasty Winery and Heavenly Palace;
“Tianjin Development”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability on 9 May 1997 and listed on the main board of the Stock Exchange (stock code: 882) and is a shareholder of the Company;
“Vendor”	Heavenly Palace; and
“%”	per cent.

For the purpose of illustration only, the exchange rate between RMB and HK\$ at RMB1.04 to HK\$1.00 is used. It does not constitute a representation that any amounts were or may have been exchanged at this or another rates or at all.

*As at the date of this announcement, the Board comprises 5 executive Directors, namely, Mr. He Xiuheng, Mr. Gao Xiaode, Mr. Bai Zhisheng, Mr. Nie Jiansheng and Mr. Chen Naiming, 6 non-executive Directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Wang Guanghao, Mr. Cheung Wai Ying, Benny, Mr. Zhang Wenlin, Mr. Wong Ching Chung and Mr. Robert Luc, and 3 independent non-executive Directors, namely, Mr. Lai Ming, Joseph, Mr. Hui Ho Ming, Herbert and Mr. Chau Ka Wah, Arthur.*

By order of the Board  
**DYNASTY FINE WINES GROUP LIMITED**  
**He Xiuheng**  
*Chairman*

Hong Kong, 28 November 2005

*\* for identification purpose only*

Please also refer to the published version of this announcement in SCMP-Classified.