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)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board") of Dynasty Fine Wines Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006, prepared on the basis set out in Note 2, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	3	**1,114,145**	947,489
Cost of sales		**(546,900)**	(456,922)
Gross profit		**567,245**	490,567
Other gains	3	**43,325**	19,368
Distribution costs		**(387,896)**	(221,515)
General and administrative expenses		**(71,261)**	(59,062)
Operating profit	5	**151,413**	229,358
Finance costs		**—**	(346)
Profit before income tax		**151,413**	229,012
Income tax expense	6	**(37,694)**	(47,604)
Profit for the year		**113,719**	181,408
Attributable to:			
Equity holders of the Company		**114,803**	178,991
Minority interests		**(1,084)**	2,417
		113,719	181,408
Dividends	7	**52,290**	70,965
Earnings per share of profit attributable to the equity holders of the Company		***HK cents***	*HK cents*
— Basic earnings per share	8	**9.2**	14.7

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**313,034**	292,581
Land use rights		**59,186**	18,857
Goodwill		**9,421**	9,421
Deferred income tax assets		**1,279**	1,236
		382,920	322,095
Current assets			
Trade receivables	*9*	**97,521**	111,705
Other receivables, deposits and prepayments		**42,584**	40,449
Inventories		**386,035**	354,872
Cash and bank balances		**764,394**	763,251
		1,290,534	1,270,277
Total assets		**1,673,454**	1,592,372
EQUITY			
Capital and reserves attributable to the Company's equity holders:			
Share capital		**124,500**	124,500
Other reserves		**1,005,481**	950,981
Retained earnings			
— Proposed final dividend		**14,940**	24,900
— Others		**254,879**	205,763
		1,399,800	1,306,144
Minority interests		**30,098**	31,107
Total equity		**1,429,898**	1,337,251
LIABILITIES			
Current liabilities			
Trade payables	*10*	**44,000**	51,019
Other payables and accruals		**195,324**	188,653
Amount due to a related company		**—**	10,104
Current income tax liabilities		**4,232**	5,345
Total liabilities		**243,556**	255,121
Total equity and liabilities		**1,673,454**	1,592,372
Net current assets		**1,046,978**	1,015,156
Total assets less current liabilities		**1,429,898**	1,337,251

Notes:

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal address of the Company is in Unit 1408, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

Pursuant to the reorganisation, as disclosed in the Company's prospectus dated 17 January 2005, which was carried out for the purpose of the listing the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), the Company became the holding company of Grand Spirit Holdings Limited ("Grand Spirit"), Sino-French Joint-Venture Dynasty Winery Ltd. ("Dynasty Winery") and Shandong Yu Huang Grape Wine Co., Ltd. ("Yu Huang") on 13 January 2005.

2. BASIS OF PREPARATION

The consolidated financial statements of Dynasty Fine Wines Group Limited have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Standards and amendments to published standards that are not yet effective

Following is the new standard and amendment to existing standard for accounting periods beginning on or after 1 January 2007 or later periods which is relevant to the Group but which the Group has not early adopted:

Effective from 1 January 2007:

HKFRS 7 and Amendment to HKAS 1	Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures

The Group has already commenced an assessment of the impact of this new standard and amendment but is not yet in a position to state whether it would have a significant impact on its results of operations and financial position.

(b) Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006).
- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).

The Group will apply HK(IFRIC)-Int 8 and HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

(c) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006).
- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006).

(d) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

• HKAS 19 (Amendment)	Employee Benefits
• HKAS 21 (Amendment)	New Investment in a Foreign Operation
• HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions; The Fair Value Option
• HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
• HKFRS 6	Exploration for and Evaluation of Mineral Resources
• HKFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards
• HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
• HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
• HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
• HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

3. TURNOVER AND OTHER GAINS

The Group is principally engaged in the manufacturing and sale of wine products. Revenue and gains recognised during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Manufacturing and sale of wine products	**1,114,145**	947,489
Other gains		
Interest income	**28,691**	19,368
Government grant *(Note (i))*	**14,634**	—
	43,325	19,368
Total revenue and gains	**1,157,470**	966,857

Note:

(i) On 28 June 2006, Dynasty Winery was given a grant of RMB30 million by Tianjin Bei Chen District Finance Bureau in consideration of its significant development plan during the two years to 2007. There is no condition nor restriction on use attached to the grant. The Directors are of the view that recognition of the grant as income in equal proportion over the two years to 2007 is in line with the intention of the grant. Accordingly RMB15 million (HK$14.6 million) has been recognised as other gains in the current year and the remaining balance will be recognised in 2007.

4. SEGMENT INFORMATION

Manufacturing and sale of wine products is the only business segment of the Group for the year ended 31 December 2006 and 2005.

No geographic analysis is provided as less than 10% of the consolidated turnover, consolidated results and operating assets of the Group are attributable to markets other than the PRC.

5. OPERATING PROFIT

	2006	2005
	HK$'000	*HK$'000*
Operating profit is stated after charging/(crediting):		
Employee costs:		
— salaries	**42,550**	33,745
— contributions to retirement benefits scheme	**5,931**	3,670
— other allowance and benefits	**23,237**	17,584
— share-based payments	**217**	8,847
— government subsidy	**(15,193)**	(12,074)
Total employee costs including directors' emoluments	**56,742**	51,772
Auditors' remuneration	**1,018**	1,000
Depreciation	**33,396**	21,436
Amortisation	**1,140**	914
Net exchange loss	**10,590**	6,544
Loss on disposal of fixed assets	**1,231**	147
Operating lease rentals in respect of:		
— storage facilities and plant and machinery	**—**	3,143
— transformation station	**2,107**	2,057
— office premises	**1,425**	1,425

6. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
Current income tax:		
— PRC income tax	**37,222**	51,151
— Under/(over) provision in previous years	**662**	(2,003)
— tax refund	**(190)**	(1,544)
	37,694	47,604

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

Provision for PRC income tax has been made at the applicable rate on the estimated assessable profit for the year for each of the Group's subsidiaries. The applicable rate is principally 24%, being the preferential rate for foreign investment production enterprises established in a coastal economic development zone (2005: 24%).

7. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid of HK3.0 cents (2005: HK3.7 cents) per ordinary share	**37,350**	46,065
Proposed final dividend of HK1.2 cents (2005: HK2.0 cents) per ordinary share *(Note)*	**14,940**	24,900
	52,290	70,965

Note: On 19 April 2007, the directors declared final dividend of HK1.2 cents per ordinary share. These financial statements do not reflect this dividend payable, which will be reflected as an appropriation of retained profits for the year ending 31 December 2007.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$114,803,000 (2005: HK$178,991,000) and the weighted average number of 1,245,000,000 shares (2005: 1,220,630,137 shares) in issue during the year.

The exercise of share options would have no material dilutive effect of earnings per share for the year ended 31 December 2006 (2005: Nil).

9. TRADE RECEIVABLES

In general, the Group grants a credit period of 30 to 90 days to its customers. The aging analysis of the trade receivables is as follows:

	2006	2005
	HK$'000	*HK$'000*
Below 30 days	**78,504**	87,648
30 to 90 days	**10,141**	19,025
91 to 180 days	**3,793**	2,797
Over 180 days	**5,907**	2,235
	98,345	111,705
Less: Provision for doubtful debts	**(824)**	—
	97,521	111,705

10. TRADE PAYABLES

	2006	2005
	HK$'000	*HK$'000*
Below 30 days	**41,821**	48,183
91 to 180 days	**1,890**	—
Over 180 days	**289**	2,836
	44,000	51,019

OVERVIEW

The consolidated turnover for the year ended 31 December 2006 was HK$1,114.1 million (2005: HK$947.5 million), an increase of 17.6% while our profit attributable to equity holders of the Company was HK$114.8 million (2005: HK$179.0 million), representing a decline of 35.9% as the distribution costs increased.

Earnings per share of the Company ("Share") was HK9.2 cents per Share based on the weighted average number of 1,245,000,000 Shares in issue during the year (2005: HK14.7 cents per Share based on the weighted average number of 1,220,630,137 Shares in issue in 2005). As there was no dilutive potential ordinary Share outstanding as at 31 December 2006, dilutive earnings per Share are not presented.

The financial results in 2006 were mainly attributable to the growth in sales volume for the year but offset by the significant increase in distribution costs.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2006, we achieved satisfactory growth in turnover due to increase in sales volume and improving average ex-winery sales price. The Group's turnover increased from approximately HK$947.5 million in 2005 to approximately HK$1,114.1 million in 2006. The growth was primarily attributable to the ongoing sales and marketing effort and organic growth of the overall grape wine market in the PRC.

The Group's average ex-winery sales prices during the year for red and white wine products had increased from 2005 average price of HK$20.8 per bottle (750 ml) to HK$22.5 per bottle (750 ml) in 2006 due to refining of product mix. The average ex-winery sales prices of the Group's red wine products are in general higher than the Group's white wine products. Since consumers in the PRC have a prevalent preference for red wines, the Group is able to set higher prices for its red wine products.

Cost of sales

The following table sets forth the major components of our cost of sales for the year:

	2006	2005
	%	%
Cost of raw materials		
— Grapes and grape juice	**39**	39
— Yeast and additives	**1**	2
— Packaging materials	**26**	26
— Others	**2**	2
Total cost of raw materials	**68**	69
Manufacturing overheads	**12**	10
Consumption tax	**20**	21
Total cost of sales	**100**	100

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives and packaging materials including bottles, bottle caps, labels, corks and packing boxes. During the year, the cost of grapes and grape juice was the key component of cost of sales and accounted for approximately 39% (2005: 39%) of the Group's total cost of sales. The total cost of packaging materials to turnover was relatively stable during the year.

Manufacturing overheads consist primarily of depreciation, rental of fixed assets, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses for production. During the year, manufacturing overheads as a percentage of turnover increased slightly because of the increase in depreciation after the completion of the capacity expansion.

Gross profit margin

Calculated based on cost of sales inclusive of consumption tax over gross invoiced sales, the overall gross profit margin declined to 50.9% in 2006 from 51.8% in 2005, which was primarily due to rising purchase cost of grape juice and increase in depreciation as a result of capacity expansion as compared to 2005. The gross margin of red wine products and white wine products in 2006 were 51.4% and 43.2% respectively (2005: 52.3% and 42.2% respectively). The higher gross margin of the red wine products was mainly due to higher sales prices.

Other gains

Other gains in 2006 rose by 123.2% to HK$43.3 million (2005: HK$19.4 million), mainly attributable to:

(1) a government subsidy of HK$14.6 million for a subsidiary to encourage its technology development and winemaking improvement; and

(2) increase in interest income from higher bank deposit's interest rates.

Distribution costs

Distribution costs mainly comprise advertising and market promotion expenses, transportation and delivery charges in connection with the sales of grape wine products, salaries and related personnel expenses for the sales and marketing department and other incidental expenses. For the year ended 31 December 2006, distribution costs increased significantly and accounted for approximately 34.8% (2005: 23.4%) of the Group's turnover. In particular, advertising and market promotion expenses accounted for approximately 20.6% (2005: 14.9%) of the Group's turnover. The surge in distribution costs was primarily the result of increase in advertising and promotion fees incurred to maintain market position, to boost market demand, to expand the market shares outside Eastern Region of the PRC and also to facilitate market penetration of new products.

General and administrative expenses

General and administrative expenses consist primarily of salaries and related personnel expenses for administrative, finance and human resources departments, provision for doubtful debts, write off for obsolete inventories, exchange loss, depreciation and amortisation expense and other incidental administrative expenses.

General and administrative expenses for the year ended 31 December 2006 remained relatively stable and accounted for approximately 6.4% (2005: 6.2%) of the Group's turnover.

Taxation expense

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its subsidiaries incorporated in BVI is subject to tax on its income or capital gains. In addition, any payment of dividends is not subject to withholding tax in those jurisdictions.

Pursuant to the relevant income tax rules and regulations of the PRC, the applicable tax rate for Sino-French Joint-Venture Dynasty Winery Limited, our major operating subsidiary and Tianjin Tianyang Grape Extracting Co. Ltd, another subsidiary of the Group, is 24%, being the preferential income tax rate for foreign investment production enterprises established in a coastal zone. The applicable rate for Shandong Yu Huang Grape Wine Co., Ltd., another subsidiary of the Group, is 30%. During the year, the effective tax rate of the Group increased to approximately 24.9% (2005: 20.8%) due to the over-provision in previous years and tax refund in the PRC in 2005 but no over-provision and less tax refund in 2006.

Cash flow

In 2006, the Group's source of cash flow was mainly from its operating activities. The Group's cash has principally been used to pay for the acquisition of fixed assets, land use rights and dividends to shareholders.

The increase in cash inflow from operating activities from HK$53.7 million in 2005 to HK$112.7 million in 2006 was primarily attributable to the decrease in income tax paid and changes in working capital, mainly the decrease in trade receivables.

Net cash used in investing activities was primarily attributable to the acquisition of fixed assets and land use rights amounting to HK$78.9 million (2005: HK$83.7 million) pursuant to our expansion plan less interest income of HK$28.7 million (2005: HK$18.6 million). In 2006, the Company has prepaid investment in an associated company of HK$12.0 million (2005: Acquisition of subsidiaries of HK$47 million).

Net cash outflow in financing activities was primarily attributable to the payment of dividends to shareholders of approximately HK$62.3 million. In 2005, the net cash inflow was primarily attributable to the net proceeds from the placing and public offer approximately HK$724 million and offset by the payment of dividends to shareholders of approximately HK$124.7 million.

Financial management and treasury policy

As at 31 December 2006, except for the net proceeds from the placing and public offer, and the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). The net proceeds from the placing and public offer in 2005 that were not used for the intended purposes have been placed on short-term deposits (denominated in US dollars or Hong Kong dollars) with authorised financial institutions in Hong Kong. The Company also pays dividends in Hong Kong dollars. No hedging or other alternatives have been implemented as it is the policy not to enter into any derivative products for speculative activities. The Group has maintained sufficient financial resources and is in a net cash position, thus we are exposed to minimal financial risk from interest rate fluctuation.

The Group has established an investment policy with the objective of monitoring the investments of the Group's uncommitted funds to ensure the achievement of the highest practicable returns with capital preservation and liquidity as priority focus.

BUSINESS REVIEW

Sales analysis

In 2006, the Group recorded a satisfactory growth in sales volume as compared to that of the last year. The number of bottles of wine sold increased from approximately 45.5 million in 2005 to approximately 49.5 million in 2006, together with increase in the average ex-winery sale price. The core revenue sources of the Group continued to be red wine product sales, accounting for approximately 93.8% of the Group's turnover for the year (2005: 95.0%). The Group's best selling wine product was still Dynasty Dry Red, the prototype of our mass market product, accounting for approximately 45.8% of the Group's turnover (2005: 49.1%).

The Group had a well-established nationwide distribution network and sold products in all provinces and autonomous regions and four directly-administered municipalities under the central government of the PRC during the year. Huadong region, or Eastern region of the PRC, comprising Shanghai, Zhejiang and Jiangsu provinces continued to be the Group's primary markets. In addition to these primary markets, sales of our products in other markets, such as Guangdong, Jiangxi, Hunan and Hubei provinces etc., in the PRC were expanding and we were enhancing our marketing and promotion efforts in other coastal provinces in order to gain market share. Export sales remained insignificant at approximately 0.1% (2005: 0.3%) of the Group's turnover during the year as the domestic market was our primary focus.

We produce a diversified range of over 50 products under the "Dynasty" brand to cater to the different segments of consumers in the PRC wine market and focus on medium to high end segments. During the year, sales of premium wine products, such as Dynasty Dry Red Wine-Aged in Oak Barrels, Dynasty Cabernet Sauvignon Reserve 2004 and Dynasty Chardonnay Reserve 2003, recorded encouraging growth. Although the sales contribution from these products was insignificant during the year, we believe sales generated from premium products will become an increasingly significant source of our income and a growth driver for the future.

Supplies of grapes or grape juice

Having sufficient supply of quality grapes and grape juice is crucial to the production for quality wine products. We currently have over 10 major grape juice suppliers, mainly located in Tianjin, Shandong, Hebei and Ningxia, with whom we have established good, long term and stable relationships. To ensure we have reliable and solid supplies of quality grapes and grape juice to meet the production needs of our growing business and resultant demand of production capacity expansion, the Group continues to work with our grape growing partners to enlarge their existing vineyards so as to enjoy better economies of scale and increase harvests by adopting state-of-art techniques for better quality and yield, and also identify new suppliers who can meet our quality requirements. For new suppliers, the quality of their products will be fully tested before orders are placed. Such measures will enable us to secure quality grape and grape juice supplies and lower the risk of our production being interrupted by supply deficiency. The Group successfully established overseas sources of supply and imported grape juice at a lower cost than domestic supplies during the year.

Production capacity

The production capacity expansion from 30,000 tonnes (equivalent to approximately 40.0 million bottles) to 50,000 tonnes (equivalent to approximately 66.7 million bottles) per annum was on schedule and the expansion project was completed in June 2006. During the year, an appropriate site in Tianjin was identified and prepared for the next step expansion from 50,000 tonnes to 70,000 tonnes (equivalent to approximately 93.3 million bottles), which is expected to be completed by the end of 2008. The enlarged production capacity will enable us to promptly respond to the booming market and further consolidate the Group's position and market share.

Prospects

In 2007, the Group will take measures to enhance margins, control sales and marketing spend, and improve staff motivation and measurement systems. In addition, the Group will conduct a brand strategy review to craft better and more effective brand strategies.

Looking forward, despite the intensifying market competition, the Group is confident to capitalise on the strong market demand in the PRC boosted by the strong economic growth and rising disposable income of the population. Leveraging on the competitive advantages, such as the reputable brand name, medium to high end segment portfolio and market knowledge, extensive distribution network to deepen market penetration and consistently expanding and refining product mix, the Group is determined to enhance its strong market position.

We will continue to seek acquisition opportunities that would bring synergy to the Group in order to generate greater value for our shareholders.

HUMAN RESOURCES MANAGEMENT

People are our most important assets and are indispensable to our success in the competitive marketplace. As part of our corporate culture, we strive to ensure a strong team spirit among our employees such that they all contribute towards our corporate objectives. Committed to achieving that goal, we offer competitive remuneration packages commensurate with industry level and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits to all employees in Hong Kong and in the PRC. Staff have enrolled in external professional and technical seminars, and other training courses in order to update their technical knowledge and skills, to enhance their awareness of the markets and to improve their business acumen. The Group reviews its human resource and remuneration policies regularly with reference to local legislation, market conditions, industry practice and the performance of both the Group and individual employees.

As at 31 December 2006, the Group employed a work force of 418 staff (including Directors) in Hong Kong and the PRC. The total salaries and related costs for the year ended 31 December 2006 amounted to approximately HK$56.7 million (2005: HK$51.8 million).

The Company also adopted a share option scheme on 6 December 2004 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations. As at 31 December 2006, 19,900,000 share options were granted and outstanding under the scheme.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 31 December 2006 amounted to HK$764.4 million and net cash inflow from operating activities are ample to satisfy the working capital requirement for the business operations and capital expenditures. New investment will be funded by the Group's internal resources.

CAPITAL STRUCTURE

As at 31 December 2006, the Group had no borrowing and the significant net cash position, reflects the Group's sound capital structure. The net proceeds raised from the placing and public offer in 2005 had further strengthened our capital structure and we expect our cash to be sufficient to support our operating and capital expenditure requirements in the foreseeable future.

The market capitalisation of the Company as at 31 December 2006 was approximately HK$3,511 million.

GEARING RATIO

As at 31 December 2006, the Group had no long-term debts and the shareholders' fund of the Group was approximately HK$1,399.8 million. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, as at 31 December 2006 was nil (2005: nil).

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

The Group made capital expenditure commitments mainly for machineries of approximately HK$43.1 million which were authorised but not contracted for and approximately HK$1.0 million which were contracted but not provided for in the financial statements as at 31 December 2006. These commitments were mainly related to the expansion of the Group's production capacity. The funding of such capital commitments will be paid out of the proceeds of the new issue as stated in the prospectus dated 17 January 2005.

As at 31 December 2006, the Group had no material contingent liabilities and the Group's assets were free from any charge.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group signed a sale and purchase agreement to acquire 25% equity interest of Dynasty Yuma Vineyard (Ning Xia) Co. Ltd. (formerly known as Ning Xia Heavenly Palace Yuma Winery Co., Ltd.)* (王朝御馬酒莊(寧夏)有限公司，前稱為寧夏天宮御馬葡萄釀酒有限公司) at a consideration of HK$11.49 million on 21 April 2006. The Group considers the acquisition represents a good opportunity for the Group to secure stable and high quality grape juice supply of grape wine business. The transaction was completed on 18 January 2007. Save for disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2006.

DIVIDEND

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. The final dividend will be paid on Thursday, 14 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed from 22 May 2007 to 25 May 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final divided and to determine entitlement to attend and vote at the meeting, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 May 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares during the year under review.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for directors' securities transactions (the "Model Code"). All the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

During the year, the Company has complied with the Code on Corporate Governance Practices (the "Code") except that from 1 January 2006 to 30 September 2006, the roles of chairman and chief executive officer was not separated and was performed by the same individual, Mr. Bai Zhisheng. Mr. Bai was the chairman and general manager (which is equivalent to the chief executive officer) of the Company since the retirement of Mr. He Xiuheng, ex-chairman and Mr. Gao Xiaode, ex-general manager on 1 January 2006. In order to ensure the compliance with Code A.2.1, the Company has been locating suitable person with sufficient experience in the business of production and sale of grape wine products to fill in the vacancy of general manager since Mr. Gao's retirement. Mr. Chen Naiming, executive director, was appointed as the general manager with effect from 1 October 2006. Saved as disclosed above, the Directors are not aware of any information that would reasonably indicate that the Company is not in compliance with the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules as effective during the year.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2006.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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.

By order of the Board
Mr. Bai Zhisheng
Chairman

Hong Kong,
19 April 2007

As at the date of this announcement, the Board of Directors comprises 3 executive directors, namely, 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, Dr. Hui Ho Ming, Herbert and Mr. Chau Ka Wah, Arthur.

The figures in respect of the preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

* *for identification purpose*

"*Please also refer to the published version of this announcement in* ***The Standard***."