



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 2007

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 2007, 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 2007

	<i>Note</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Turnover	3	1,123,327	1,114,145
Cost of sales		<u>(544,454)</u>	<u>(546,900)</u>
Gross profit		578,873	567,245
Other gains	3	46,569	43,325
Distribution costs		(339,211)	(387,896)
General and administrative expenses		<u>(105,015)</u>	<u>(71,261)</u>
Operating profit	5	181,216	151,413
Share of profit of an associate		<u>67</u>	<u>—</u>
Profit before income tax		181,283	151,413
Income tax expense	6	<u>(54,668)</u>	<u>(37,694)</u>
Profit for the year		<u>126,615</u>	<u>113,719</u>

	<i>Note</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		126,326	114,803
Minority interests		<u>289</u>	<u>(1,084)</u>
		<u>126,615</u>	<u>113,719</u>
Dividends	7	<u>59,760</u>	<u>52,290</u>
Earnings per share of profit attributable to the equity holders of the Company		HK cents	HK cents
— Basic earnings per share	8	<u>10.1</u>	<u>9.2</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		361,928	313,034
Land use rights		61,698	59,186
Interest in an associate		12,536	—
Goodwill		9,421	9,421
Deferred income tax asset		1,373	1,279
		446,956	382,920
Current assets			
Trade receivables	9	106,504	97,521
Other receivables, deposits and prepayments		61,428	42,584
Inventories		422,564	386,035
Cash and bank balances		830,346	764,394
		1,420,842	1,290,534
Total assets		1,867,798	1,673,454
EQUITY			
Capital and reserves attributable to the Company's equity holders:			
Share capital		124,500	124,500
Other reserves		1,115,891	1,005,481
Retained earnings			
— Proposed final dividend		14,940	14,940
— Others		305,285	254,879
		1,560,616	1,399,800
Minority interests		32,616	30,098
Total equity		1,593,232	1,429,898

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	10	44,121	44,000
Other payables and accruals		218,703	195,324
Current income tax liabilities		11,742	4,232
Total liabilities		<u>274,566</u>	<u>243,556</u>
Total equity and liabilities		<u>1,867,798</u>	<u>1,673,454</u>
Net current assets		<u>1,146,276</u>	<u>1,046,978</u>
Total assets less current liabilities		<u>1,593,232</u>	<u>1,429,898</u>

1. GENERAL INFORMATION

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. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, whilst the principal office is Suite 5506, 55/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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, amendment and interpretations effective in 2007 and relevant to the Group

HKFRS 7	Financial instruments: Disclosures
HKAS 1 (Amendment)	Presentation of financial statements — Capital disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 10	Interim financial reporting and impairment

(b) Standard and interpretations effective in 2007 but not relevant to the Group

HKFRS 4	Insurance contracts
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies
HK(IFRIC)-Int 9	Re-assessment of embedded derivatives

The adoption of the above did not have a material impact on the financial statements of the Group other than disclosure changes.

(c) Standard, amendment and interpretations to the existing standards that are not yet effective and have not been early adopted by the Group

HKAS 23 (Amendment)	Borrowing costs (effective from 1 January 2009)
HKAS 27 (Revised)	Consolidated and separate financial statements (effective from 1 July 2009)
HKFRS 2 (Amendment)	Vesting conditions and cancellations (effective from 1 January 2009)
HKFRS 3 (Revised)	Business combinations (effective from 1 July 2009)
HKFRS 8	Operating segments (effective from 1 January 2009)
HK(IFRIC)-Int 11	HKFRS 2 — Group and treasury share transactions (effective from 1 March 2007)
HK(IFRIC)-Int 12	Service concession arrangements (effective from 1 January 2008)
HK(IFRIC)-Int 13	Customer loyalty programmes (effective from 1 July 2008)
HK(IFRIC)-Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008)

The Group is in the process of making an assessment of the impact of these standard, amendment and interpretations on the financial statements of the Group in the initial application.

3. TURNOVER AND OTHER GAINS

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

	2007	2006
	HK\$'000	HK\$'000
Turnover		
Manufacturing and sale of wine products	<u>1,123,327</u>	<u>1,114,145</u>
Other gains		
Interest income	31,105	28,691
Government grant	<u>15,464</u>	<u>14,634</u>
	<u>46,569</u>	<u>43,325</u>
Total revenue and other gains	<u>1,169,896</u>	<u>1,157,470</u>

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 2007.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Operating profit is stated after charging/(crediting):		
Employee costs:		
— salaries, other allowance and benefits	87,682	65,787
— contributions to retirement benefits scheme	7,118	5,931
— share-based payments	474	217
— government subsidy	<u>(6,800)</u>	<u>(15,193)</u>
Total employee costs including directors' emoluments	88,474	56,742
Auditors' remuneration	1,050	1,018
Depreciation	37,673	33,396
Amortisation	1,786	1,140
Net exchange loss	19,806	10,590
Loss on disposal of property, plant and equipment	218	1,231
Operating lease rentals in respect of:		
— transformation station	2,227	2,107
— office premises	<u>2,130</u>	<u>1,425</u>

6. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current income tax:		
— PRC income tax for the year	52,703	37,222
— Under provision in previous years	1,965	662
— tax refund	<u>—</u>	<u>(190)</u>
	<u>54,668</u>	<u>37,694</u>

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 (2006 — 24%).

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law revised the Group's corporate income tax rate from 24% to 25% with effect from 1 January 2008. This change in tax rate has no significant impact to the Group's deferred tax assets as at 31 December 2007.

7. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend paid of HK3.6 cents (2006 — HK3.0 cents) per ordinary share	44,820	37,350
Proposed final dividend of HK1.2 cents (2006 — HK1.2 cents) per ordinary share (Note)	<u>14,940</u>	<u>14,940</u>
	<u><u>59,760</u></u>	<u><u>52,290</u></u>

Note: On 16 April 2008, 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 2008.

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\$126,326,000 (2006 — HK\$114,803,000) and the weighted average number of 1,245,000,000 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 and 2007.

9. TRADE RECEIVABLES

The Group grants a credit period of 30 to 180 days to its customers. The aging analysis of the trade receivables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Below 30 days	55,610	78,504
30 to 90 days	21,829	10,141
91 to 180 days	27,498	3,793
Over 180 days	<u>2,610</u>	<u>5,907</u>
	107,547	98,345
Less: Provision for impairment	<u>(1,043)</u>	<u>(824)</u>
	<u><u>106,504</u></u>	<u><u>97,521</u></u>

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi. The balance included bill receivables amounting HK\$29,569,000 (2006 — HK\$10,307,000) and will be settled on due date.

Trade receivables that are impaired are aged over 12 months (2006 —12 months).

10. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Below 30 days	40,351	41,821
91 to 180 days	1,562	1,890
Over 180 days	<u>2,208</u>	<u>289</u>
	<u><u>44,121</u></u>	<u><u>44,000</u></u>

OVERVIEW

The Group's turnover increased to HK\$1,123.3 million (2006 — HK\$1,114.1 million), representing a very slight increase of 1% for the year ended 31 December 2007 and the Group's profit attributable to equity holders of the Company increased by 10% to HK\$126.3 million (2006 — HK\$114.8 million).

Earnings per share of the Company ("Share") was HK10.1 cents per Share (2006 — HK9.2 cents per Share) based on the weighted average number of 1,245 million (2006 — 1,245 million) Shares in issue during the year. As there was no dilutive potential ordinary Share outstanding as at 31 December 2007, dilutive earnings per Share are not presented.

The increase in financial results in 2007 was mainly attributable to decrease in distribution costs.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by about 1% to approximately HK\$1,123.3 million for the year ended 31 December 2007 from approximately HK\$1,114.1 million for the year ended 31 December 2006. The slight growth in turnover principally reflected a basically stable sales volume.

The Group's average ex-winery sales price during the year of 2007 for red and white wine products remained relatively stable amounting HK\$23.0 per bottle (750ml) (2006 — HK\$22.5 per bottle (750ml) in 2006). 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 and therefore the average ex-winery sales price of the Group's red wine products are in general higher than that of the Group's white wine products.

Cost of sales

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

	2007	2006
	%	%
Cost of raw materials		
— Grapes and grape juice	38	39
— Yeast and additives	2	1
— Packaging materials	26	26
— Others	<u>2</u>	<u>2</u>
Total cost of raw materials	68	68
Manufacturing overheads	11	12
Consumption tax	<u>21</u>	<u>20</u>
Total cost of sales	<u><u>100</u></u>	<u><u>100</u></u>

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, labels, corks and packing boxes. For the year ended 31 December 2007, the cost of grapes and grape juice was the key component of cost of sales and accounted for approximately 38% (2006 — 39%) of the Group's total cost of sales. As a percentage of cost of sales, the decrease was due to lower average cost of grape and grape juice. The total cost of packaging materials to turnover was relatively stable during the year.

Manufacturing overheads primarily consist 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. As a percentage of turnover, manufacturing overheads in the year ended 31 December 2007 remained stable as compared to 2006.

Gross profit margin

Calculated based on cost of sales inclusive of consumption tax and gross invoiced sales, the overall gross profit margin rose to 52% in 2007 from 51% in 2006. The primary reason for the gross profit margin improvement was the lower purchase cost of grape juice as compared to that of 2006. The gross margin of red wine products and white wine products in 2007 were 53% and 42% respectively (2006 — 51% and 43% respectively) and the higher gross margin of red wine products was mainly because of higher sales prices.

Other gains

Other gains in 2007 increased by 8% to HK\$46.6 million (2006 — HK\$43.3 million), mainly attributable to:

- (1) a government grant of HK\$15.5 million (2006 — HK\$14.6 million) to a subsidiary to encourage its technology development and winemaking improvement in the PRC; and
- (2) increase in interest income from higher bank deposit's interest rates.

Distribution costs

Distribution costs mainly include 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 2007, the Company had taken strong measures to ensure more effective utilization of advertising and promotion expenses. As a result, distribution costs decreased and stood at approximately 30% (2006 — 35%) of the Group's turnover. Advertising and market promotion expenses to the Group's turnover was approximately also reduced to 17% (2006 — 21%).

General and administrative expenses

General and administrative expenses primarily comprise of salaries and related personnel expenses for administrative, finance and human resources departments, exchange loss, depreciation and amortisation expense and other incidental administrative expenses.

For the year ended 31 December 2007, general and administrative expenses as a percentage of the Group's turnover increased to 9% from 6% in 2006 mainly due to the decrease in government subsidy to HK\$6.8 million (2006 — HK\$15.2 million) for the general welfare of a PRC subsidiary's employees and larger functional currency exchange loss of HK\$19.5 million (2006 — HK\$10.5 million) attributable to our bank deposits denominated in US dollar in connection with the appreciation of Renminbi.

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 under those jurisdictions.

For the year ended 31 December 2007, 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 Winery Co. Ltd. (formerly known as Tianjin Tianyang Grape Extract Co. Ltd.), another subsidiary of the Group, was 24%, being the preferential income tax rate for foreign investment production enterprises established in a coastal zone. The applicable tax rate for Shandong Yu Huang Grape Wine Co., Ltd., another subsidiary of the Group, was 30%. During the

year, the effective tax rate of the Group increased to approximately 30% (2006 — 25%), principally due to under-provision of profits tax in prior year and more non-tax deductible expenses incurred being unrealised functional currency loss.

Cash flow

In 2007, operating activities were the Group's main source of cash flow for the year. Cash was principally used to pay for acquisition of plant and machinery, and dividends to shareholders during the year.

The increase in cash inflow from operating activities from HK\$112.7 million in 2006 to HK\$133.5 million in 2007 was primarily attributable to the decrease in distribution costs as well as the effects of the changes in working capital, mainly the increase in other payables and accruals.

Net cash used in investing activities was HK\$32.4 million and primarily attributable to the acquisition of plant and machinery amounting to HK\$64.6 million (2006 — HK\$78.9 million including plant and machinery, and land use right) pursuant to our expansion plan less interest income of HK\$30.6 million (2006 — HK\$28.7 million). In 2006, the Company has prepaid investment in an associated company of HK\$12.0 million.

Net cash outflow in financing activities was primarily attributable to the payment of approximately HK\$59.8 million (2006 — HK\$62.3 million) in dividends to shareholders.

Financial management and treasury policy

As at 31 December 2007, except for the net proceeds from the placing and public offer, 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 employed since it is the Group's policy not to enter into any derivative products for speculative activities and there are no cost-effective hedges against the appreciation of RMB and no effective manner to generally convert US dollars or Hong Kong dollars into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss to be recorded in income statement as a result of US dollars or Hong Kong dollars exchange rate fluctuations in connection with deposits, especially in light of the increasing appreciation of RMB against these currencies. Maintaining sufficient financial resources and in a net cash position, the Group is exposed to minimal financial risk from interest rate fluctuation.

The purpose of the Group's investment policy is to monitor investments of the Group's uncommitted funds to ensure achievement of the highest practicable returns while heeding the need to preserve capital and assure liquidity.

BUSINESS REVIEW

Sales analysis

Sales volume for the year ended 31 December 2007 remained basically stable as compared with last year because of keen competition in the market. The number of bottles of wine sold was approximately 48.8 million in 2007 (2006 — approximately 49.5 million). The primary revenue sources of the Group continued to be red wine product sales which accounted for approximately 91% of its total turnover for the year (2006 — 94%). Dynasty Dry Red, the prototype of the Group's mass market product, remained as the Group's best selling label accounting for approximately 36% of the Group's turnover (2006 — 46%).

The Group continued to reinforce and expand its nationwide distribution network, which supported sale of products in all provinces and autonomous regions and four directly-administered municipalities under the central government of the PRC during the year. Huadong region (i.e. the Eastern region of the PRC), which comprises Shanghai city, Zhejiang and Jiangsu provinces continued to be the Group's primary markets. Our sales in other regional markets, such as Tianjin city, Guangdong, Anhui and Fujian provinces etc., in the PRC also highly grew. As the domestic market has been the Group's primarily focus, export sales was insignificant, amounting to only 0.2% (2006 — 0.1%) of the Group's total turnover during the year.

We produce a diversified range of over 50 products under the “Dynasty” brand to meet consumer needs mainly in the medium to high end segments in the PRC wine market. During the year, sales of premium wine products, such as Dynasty Dry Red Wine Reserve — Aged in Oak Barrels, Dynasty Dry Red Cabernet — Aged in Oak Barrels and Dynasty Dry White Wine — Reserve, recorded encouraging growth. Although the sales contribution from these products to our turnover was insignificant during the year, we believe these products will bring increasingly significant income to the Group and become major growth drivers for us in the future. The Group recognizes the need for greater effort to drive high end sales to increase income as well as uplifting our brand image.

Supplies of grapes or grape juice

Having sufficient supply of quality grapes and grape juice is crucial to ensuring the Group's production of consistently high quality products. We currently have over 10 major grape juice suppliers, mainly located in Tianjin, Shandong, Hebei and Ningxia, with whom we have long term and stable relationships. To ensure we have reliable and solid supplies of quality grapes and grape juice to meet the needs of our growing business and fill our expanding production capacity, the Group continues to work with grape growers to enlarge their existing vineyards so as to enjoy better economies of scale and improve quality by adopting state-of-art techniques, and also identify new suppliers who can meet our quality requirements. For new suppliers, the quality of their grape juice will be thoroughly 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 bad harvest.

The average cost of grape juice in 2008 is expected to remain stable.

Production capacity

The Group expanded production capacity to 50,000 tonnes (equivalent to approximately 66.7 million bottles) per annum in June 2006. To add additional capacity, we commenced the construction of new production and research and development facilities in our Tianjin winery during the year. The new production facility, expected to be completed by the end of 2008, will increase our annual production capacity to 70,000 tonnes (equivalent to approximately 93.3 million bottles). The enlarged production capacity will enable us to promptly respond to the booming market and consolidate the Group's market position.

Prospects

Looking ahead, the Group expects strong market growth to continue as wine consumption is boosted by China's economic development and people's changing taste. This will create opportunities as well as challenges due to keener competition. The Group is prepared to take measures to capitalize on the future growth of the market through both organic growth and acquisition.

HUMAN RESOURCES MANAGEMENT

People are our most important assets and are indispensable to our success in the competitive market. We strive to ensure a strong team spirit among our employees such that they identify and contribute in unison to our corporate objectives. To this end, 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 the PRC. Employees are encouraged to enrol in external professional and technical seminars, and other training courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees.

As at 31 December 2007, the Group employed a work force of 423 (including Directors) in Hong Kong and the PRC. The total salaries and related costs (including the Directors' fees) for the year ended 31 December 2007 amounted to approximately HK\$88.5 million (2006 — HK\$56.7 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 2007, 20,050,000 share options were granted and outstanding under the scheme.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 31 December 2007 amounted to HK\$830.3 million. It has net cash inflow from operating activities ample for satisfying the working capital requirement of business operations and capital expenditures. New investment will be funded by the Group's internal resources.

CAPITAL STRUCTURE

As at 31 December 2007, the Group had no borrowing and was in a significant net cash position, reflecting its sound capital structure. The net proceeds raised from the placing and public offer in 2005 has strengthened the Group's capital structure giving it sufficient cash to support operating and capital expenditure requirements in the foreseeable future.

The market capitalisation of the Company as at 31 December 2007 was approximately HK\$3,860 million.

GEARING RATIO

As at 31 December 2007, the Group had no long-term debts with shareholders' fund of the Group amounted to approximately HK\$1,560 million. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, as at 31 December 2007 was nil (2006 — nil).

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

The Group made capital expenditure commitments of approximately HK\$131 million mainly for machineries which were authorised but not contracted for and approximately HK\$42 million which were contracted but not provided for in the financial statements as at 31 December 2007. These commitments were required mainly to support expansion of the Group's production capacity. The funding of such capital commitments will be paid out of the proceeds of the placing and public offer as stated in the prospectus dated 17 January 2005.

As at 31 December 2007, 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 completed 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 18 January 2007. 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. Save for disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2007.

* *for identification purpose*

DIVIDEND

With the Group being in a solid financial position and enjoying strong cash flow from operations, the Board recommends payment of a final dividend of HK1.2 cents per Share (2006 — HK1.2 cents per Share) for the financial year ended 31 December 2007. Combined with an interim dividend of HK3.6

cents per Share (2006 — HK3.0 cents per Share) paid in November 2007, the total dividend payment was HK4.8 cents per Share for the full financial year. This translates into a 47% (2006 — 46%) dividend payout ratio of the current year profit, in compliance with the Company's dividend policy of 30% to 50% of the net profit available for distribution to the shareholders. The final dividend will be paid on Wednesday, 18 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed from 27 May 2008 to 30 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend 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 26 May 2008.

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"). The Company has made specific enquiry of all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

During the year, the Company has complied with the Code on Corporate Governance Practices (the "Code"). 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. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

AUDIT COMMITTEE

The audit committee comprises of 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 2007 in conjunction with the Company's auditors.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE THE COMPANY AND 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 Company (www.dynasty-wines.com) and the Stock Exchange in due course.

ACKNOWLEDGEMENT

I wish to express my heartfelt gratitude to our loyal shareholders, customers, distributors, suppliers and business partners for their notable support. I would also like to take this opportunity to thank our fellow Board members, management team and our dedicated staff for their support, advice, wise counsel and contribution throughout the year.

By order of the Board
Mr. Bai Zhisheng
Chairman

Hong Kong,
16 April 2008

As at the date of this announcement, the Board of Directors comprises 1 executive director, namely, Mr. Bai Zhisheng, 5 non-executive directors, namely, Mr. Heriard-Dubreuil Francois, 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 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft audited 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.