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DYNASTY
Since 1980

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 THE YEAR ENDED 31 DECEMBER 2009

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 2009, 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 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Revenue	*3*	**1,482,542**	1,360,859
Cost of sales	*5*	**(727,041)**	(639,148)
Gross profit		**755,501**	721,711
Other income	*3*	**23,073**	28,660
Distribution costs	*5*	**(467,965)**	(442,272)
Administrative expenses	*5*	**(97,831)**	(90,823)
Operating profit		**212,778**	217,276
Share of loss of an associate		**(451)**	(65)
Profit before income tax		**212,327**	217,211
Income tax expense	*6*	**(55,456)**	(73,270)
Profit for the year		**156,871**	143,941

	Note	2009 HK$'000	2008 HK$'000
Attributable to:			
Equity holders of the Company		**156,122**	143,079
Minority interests		**749**	862
		156,871	143,941
Dividends	*7*	**73,455**	67,230
Earnings per share of profit attributable to the equity holders of the Company			
		HK cents	HK cents
– Basic and diluted earnings per share	*8*	**12.5**	11.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	HK$'000	*HK$'000*
Profit for the year	**156,871**	143,941
Other comprehensive income		
Currency translation differences	**1,869**	85,122
Total comprehensive income for the year	**158,740**	229,063
Total comprehensive income attributable to:		
Equity holders of the Company	**157,991**	226,178
Minority interests	**749**	2,885
	158,740	229,063

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**499,140**	440,302
Land use rights		**62,570**	63,787
Goodwill		**9,421**	9,421
Investment in an associate		**12,801**	13,237
Deferred income tax assets		**26,090**	–
		610,022	526,747
Current assets			
Trade receivables	9	**227,819**	84,093
Other receivables, deposits and prepayments		**65,039**	80,692
Inventories		**393,412**	462,655
Short-term deposits with maturity over three months		**254,664**	–
Restricted cash	10	**11,759**	–
Cash and cash equivalents		**778,277**	999,006
		1,730,970	1,626,446
Total assets		**2,340,992**	2,153,193
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital		**124,500**	124,500
Other reserves		**1,134,459**	1,172,589
Retained earnings		**569,388**	431,782
		1,828,347	1,728,871
Minority interests in equity		**27,781**	35,501
Total equity		**1,856,128**	1,764,372

	Note	2009 HK$'000	2008 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*11*	**96,977**	89,015
Other payables and accruals		**344,462**	274,905
Financial liabilities at fair value through profit or loss	*10*	**11,759**	–
Current income tax liabilities		**31,666**	24,901
Total liabilities		**484,864**	388,821
Total equity and liabilities		**2,340,992**	2,153,193
Net current assets		**1,246,106**	1,237,625
Total assets less current liabilities		**1,856,128**	1,764,372

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.

The principal activity of the Company is investment holding and trading of wine products. The principal activities of the subsidiaries are manufacturing and sale of wine products and unprocessed wine.

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 group has adopted the following new and amended HKFRS as of 1 January 2009:

HKAS 1 (revised)	Presentation of financial statements
HKFRS 2 (amendment)	Share-based payment
HKFRS 7(amendment)	Financial Instruments – Disclosures
HKFRS 8	Operating segments

There are other standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group.

3. REVENUE AND OTHER INCOME

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

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Manufacturing and sale of wine products	**1,482,542**	1,360,859
Other income		
Interest income	**10,496**	22,939
Government grant	**11,024**	5,721
Others	**1,553**	—
	23,073	28,660
Total revenue and other income	**1,505,615**	1,389,519

4. SEGMENT INFORMATION

In accordance with the Group's internal reporting, management has determined the operating segments to be red wines and white wines.

Other products sold by the Group include sparkling wines, brandy and icewine. These sales have not been included within the reportable operating segments, as they are not included within the reports provided to the key management team.

The key management team assesses the performance of the operating segments based on gross profit, which excludes the effects of tax, depreciation and amortisation and non-recurring expenditure from the operating segments. Other income, distribution costs and administrative expenses are also not included in management's assessment of the performance of the operating segments.

All revenue of the Group are from external customers.

	Red wines	White wines	All other products	Total Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2009				
Revenue	1,234,804	243,060	4,678	1,482,542
Gross profit	654,894	98,200	2,407	755,501
Unallocated items:				
Depreciation and amortisation	–	–	–	(43,776)
Interest income	–	–	–	10,496
Share of loss of an associate	–	–	–	(451)
Income tax expense	–	–	–	(55,456)
For the year ended 31 December 2008				
Revenue	1,199,115	159,188	2,556	1,360,859
Gross profit	652,645	68,566	500	721,711
Unallocated items:				
Depreciation and amortisation	–	–	–	(47,319)
Interest income	–	–	–	22,939
Share of loss of an associate	–	–	–	(65)
Income tax expense	–	–	–	(73,270)

Information on segment assets is not disclosed as key management team does not assess performance of reportable segments using information on assets.

A reconciliation of total segment gross profit to total profit before income tax is provided as follows:

	2009	2008
	HK$'000	*HK$'000*
Gross profit for reportable segments	**755,501**	721,711
Other income	**23,073**	28,660
Distribution costs	**(467,965)**	(442,272)
Administrative expenses	**(97,831)**	(90,823)
Operating profit	**212,778**	217,276
Share of loss of an associate	**(451)**	(65)
Profit before income tax	**212,327**	217,211

5. EXPENSE BY NATURE

	2009 *HK$'000*	2008 *HK$'000*
Cost of unprocessed wines, consumables and other materials recognised as expenses included in cost of sales	**549,488**	456,085
Advertising, marketing, and other incidental promotion expenses	**313,249**	307,585
Consumption tax of domestic sales	**127,538**	132,811
Employee costs including directors' emoluments	**123,853**	108,799
Transportation and logistics expenses	**76,971**	83,014
Depreciation	**42,487**	45,681
Consultancy and professional fee	**3,487**	2,868
Operating lease rentals in respect of:		
– transformation station	**2,450**	2,376
– office premises	**2,262**	2,262
Amortisation	**1,289**	1,638
Auditors' remuneration	**1,169**	1,265
Net exchange loss	**40**	337
Other expenses	**48,554**	27,522
Total of cost of sales, distribution costs and administrative expenses	**1,292,837**	1,172,243

6. INCOME TAX EXPENSE

	2009 *HK$'000*	2008 *HK$'000*
Current income tax:		
– PRC income tax for the year	**87,422**	69,952
– (Over)/under provision in previous year	**(5,876)**	1,904
	81,546	71,856
Deferred income tax:		
– (Recognition)/reversal of temporary difference	**(26,090)**	1,414
	55,456	73,270

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 25% (2008 – 25%).

7. DIVIDENDS

	2009 *HK$'000*	2008 *HK$'000*
Interim dividend paid of HK2.8 cents (2008 – HK3.5 cents) per ordinary share	**34,860**	43,575
Proposed final dividend of HK3.1 cents (2008 – HK1.9 cents) per ordinary share (note)	**38,595**	23,655
	73,455	67,230

Note: On 31 March 2010, the board of directors declared a final dividend of HK3.1 cents per ordinary share. This declared dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2010.

8. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share was based on the following data:

	2009 *HK$'000*	2008 *HK$'000*
Earnings		
Profit attributable to equity holders of the Company	**156,122**	143,079

	Number of shares *(thousand)*	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,245,000**	1,245,000
Effect of dilutive potential ordinary shares:		
– Share options	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,245,000**	1,245,000

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:

	2009 *HK$'000*	2008 *HK$'000*
Below 30 days	**154,416**	58,283
30 to 90 days	**59,228**	17,085
91 to 180 days	**14,086**	6,800
Over 180 days	**89**	2,247
	227,819	84,415
Less: Provision for impairment	**–**	(322)
	227,819	84,093

The carrying amounts of the Group's trade receivables were principally denominated in Renminbi. The balance included bill receivables amounting to about HK$98 million (2008 – HK$21 million).

Trade receivables that are impaired are past due over 12 months (2008 – 12 months).

10. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS AND RELATED RESTRICTED CASH

On 9 April 2009, Sino-French Joint Venture Dynasty Winery Ltd ("Dynasty Tianjin"), a wholly owned subsidiary of the Company, entered into two contracts whereby Dynasty Tianjin transferred its income receiving right attached to some specially made wine aged in oak barrels to a state owned trust company ("Trust Company") for a consideration of about Rmb42 million (maturity of 182 days) and Rmb10 million (maturity of 547 days), respectively. Upon maturity of the contracts, the Trust Company on behalf of its underlying customers can select either cash settlement with fixed rate of interest or physical delivery of the wine at a predetermined price. As at 31 December 2009, the financial liabilities at fair value through profit or loss amounted to Rmb10 million.

Since these contracts have cash settlement option and have underlying values which changes in response to market interest rate and price of the wine, they are accounted for as financial liabilities carried at fair value through profit or loss.

As part of the arrangement above, Dynasty Tianjin is required to pledge the total consideration received of Rmb52 million to the Trust Company as security to the two contracts. The amounts are restricted until the respective maturity of the contracts. In October 2009, the contract with consideration of Rmb42 million was expired. As at 31 December 2009, the related restricted cash amounted to Rmb10 million.

11. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Below 30 days	**88,888**	77,545
30 to 90 days	**–**	2,003
91 to 180 days	**4,197**	7,582
Over 180 days	**3,892**	1,885
	96,977	89,015

OVERVIEW

For the year ended 31 December 2009, the Group's revenue increased by 9% to HK$1,482.5 million (2008 – HK$1,360.9 million) and the Group's profit attributable to equity holders of the Company rose to HK$156.1 million (2008 – HK$143.1 million), representing an increase of 9%.

Earnings per share ("Share") of the Company was HK12.5 cents per Share (2008 – HK11.5 cents per Share) based on the weighted average number of 1,245 million (2008 – 1,245 million) Shares in issue during the year. There was no potential dilutive share for the year ended 31 December 2009.

The increase in financial results in 2009 were mainly attributable to the growth in sales volume and effective control of distribution costs.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents proceeds from sale of wine products. For the year ended 31 December 2009, our total revenue increased by 9% to approximately HK$1,482.5 million from approximately HK$1,360.9 million in 2008. The increase was due to an increase in sales volume, a slight increase in average ex-winery sales prices of products and the impact of Renminbi appreciation.

During the year, the Group's average ex-winery sales price of red and white wine products was slightly higher than the average price of HK$24.7 per bottle (750ml) in 2008 as a result of the full year effect of the rise in average ex-factory sales price of certain grape wine products in the second quarter of 2008. Because of consumers in the PRC having a prevalent preference for red wines, the Group is able to set higher prices for its red wine products and therefore the Group's average ex-winery sales price of the red wine products is in general higher than that of white wine products.

Cost of sales

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

	2009	2008
	%	%
Cost of raw materials		
– Grapes and grape juice	**41**	36
– Yeast and additives	**2**	3
– Packaging materials	**26**	26
– Others	**1**	1
Total cost of raw materials	**70**	66
Manufacturing overheads	**12**	13
Consumption tax	**18**	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 as well as 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 41% of the Group's total cost of sales, representing an increase of 5% from approximately 36% in 2008, due to the increase in average cost of grape and grape juice and a change in the cost of sales structure due to the decrease in Group's effective consumption tax rate. The total cost of packaging materials as a percentage of the Group's revenue was relatively stable during the year as compared with 2008.

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. During the year, manufacturing overheads to the Group's revenue remained stable as compared with last year.

Gross profit margin

Margin is calculated based on cost of sales inclusive of consumption tax and gross invoiced sales. During the year, the overall gross profit margin reached 51%, a decrease of 2 percentage points from 53% in 2008 and was primarily due to higher purchase cost of grape juice, especially that for winemaking white wine products, and increase in the overall proportion of sales of white wine products to the Group's total revenue as compared to 2008. The gross margin of red wine products and white wine products in 2009 were 53% and 40% respectively (2008 –54% and 43% respectively). The higher gross margin of red wine products was mainly because of its higher sales prices and lower raw materials cost.

Other income

During the year, other income decreased by 20% to HK$23.1 million (2008 – HK$28.7 million), mainly attributable to:

(1) Decrease in interest income as a result of the lower interest rates for bank deposits; which was offset by

(2) Increase in the government grant to HK$11.0 million (2008 – HK$5.7 million) to a subsidiary in the PRC to encourage its technology development and improvement in winemaking.

Distribution costs

Distribution costs include principally 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 departments and other incidental expenses. During the year, distribution costs accounted for approximately 32% (2008 –33%) of the Group's revenue. In particular, advertising and market promotion expenses as a percentage of the Group's revenue also reduced approximately to 20% (2008 –21%). The decrease in distribution costs was primarily attributable to the effective management in monitoring and controlling sales and marketing spending.

Administrative expenses

Administrative expenses consist primarily of salaries and related personnel expenses for administrative, finance and human resources departments, depreciation and amortisation expense and other incidental administrative expenses.

During the year, administrative expenses to the Group's revenue remained stable at 7% compared with 2008.

Income tax expense

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

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the enterprise income tax rate for all the subsidiaries of the Company incorporated in the PRC had been unified at 25% effective from 1 January 2008. During the year, the effective tax rate of the Group decreased to approximately 26% (2008 – 34%), mainly due to less expenses not allowed to deduct for the year.

Cash flow

During the year, the Group's main source of cash flow was from its operating activities. The Group's cash has principally been used to pay for capital expenditure, and dividends to shareholders during the year.

The decrease in cash inflow from operating activities from HK$271.1 million in 2008 to HK$214.5 million in 2009 was mainly attributable to the effects of the changes in working capital in large part due to the increase in trade receivables.

Net cash used in investing activities was HK$377.9 million (2008 – HK$101.1 million), primarily related to placement of fixed deposits with maturity over 3 months and acquisition of plant and equipment and payments for construction of winery premises pursuant to our expansion plan.

Net cash outflow in financing activities consisted mainly of dividend payments to shareholders totalling approximately HK$58.5 million (2008 – HK$58.5 million).

Financial management and treasury policy

As at 31 December 2009, 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 Group has progressively remitted the net listing proceeds from Hong Kong to the PRC and converted them into RMB shortly after remittance. The remaining unremitted net proceeds 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. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Company does not implement any hedging or other derivatives against foreign exchange risk. Although the Group's operation currently would not generate any significant foreign currency exposure, we will continue to closely monitor foreign currency movements.

Armed with sufficient financial resources and in a net cash position with no borrowing, the Group is exposed to minimal financial risk from interest rate fluctuation.

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

BUSINESS REVIEW

Sales analysis

A) Existing sales channels

For the year ended 31 December 2009, the Group experienced a growth in sales volume as compared with last year amidst poor consumption sentiment in the first quarter of the 2009 after global financial crisis hit and keen competition in the market. The total number of bottles of wine sold increased from approximately 55.1 million in 2008 to approximately 57.4 million in 2009. The Group's primary revenue sources continued to be red wine product sales which accounted for approximately 83% of the Group's revenue for the year (2008 – 88%). The Group's best selling wine product remained Dynasty Dry Red, the prototype of the Group's mass market product accounting for approximately 33% of the Group's revenue (2008 – 35%).

During the year, we continued to expand and strengthen our nationwide and extensive distribution network through the Group's distributors, which supported sales of the products of the Group in all provinces and autonomous regions and the four directly-administered municipalities under the central government of the PRC. The Huadong region (i.e. the Eastern region of the PRC), which comprises Shanghai city, Zhejiang and Jiangsu provinces remained as the Group's strongest markets. Our sales in other regional markets, such as Beijing and Tianjin cities, Anhui and Fujian provinces etc., in the PRC also grew. The Group reported export sales accounting for 0.1% (2008 – 0.2%) of its total revenue during the year.

The Group produces a wide spectrum of more than 50 products under the "Dynasty" brand to meet different consumer demands mainly in the medium to high end segments in the PRC wine market. With a high quality and diversified product portfolio, the Group firmly believes that Dynasty will be able to attract upper-middle to high-end consumers by offering Dynasty's premium high end products. Sales of our premium wine products, such as Dynasty Dry Red Wine – Aged in Oak Barrels, Dynasty Dry Red Wine – Reserve and Dynasty Premium Dry Red Wine – Aged in Oak Barrels, recorded encouraging growth during the year. In addition, the Group also sold foreign brand wines imported from Europe in the PRC wine market through the Group's existing distribution network in order to bring some classic "old world" varietals to cater for a niche market with customers preferring the taste of foreign premium wine products only. Although the contribution from the sales of these products was relatively insignificant to our revenue during the year of 2009, the Group believes the sales of premium Dynasty and imported products will grow and these products will become major growth drivers for our development in the future. To sustain its growth, the Group will continue to support and actively promote them to high end market.

B) New sales channels

To explore new sales channels and develop new customer base, the Group has collaborated with selected financial institutions (the "FI") in the PRC to produce and sell two premium red wine products to the FI's customers under the prescribed terms and format of the FI (the "Transactions") during the year. Upon maturity of the Transactions, customers can select either cash settlement with fixed rate of interest or physical delivery of the wine at a predetermined price. The consideration of the Transactions not yet reaching maturity as at the year end amounted to HK$12 million which has been received by the Group during the year. In accordance with the terms of the Transactions, the Group recognized this outstanding amount as current financial liabilities of about HK$12 million as at 31 December 2009.

Supplies of grapes or grape juice

Production of quality wine products is highly dependent upon a sufficient supply of quality grapes or grape juice. We currently have more than 10 major grape juice suppliers, mainly located in Tianjin, Shandong, Hebei, Ningxia and Xinjiang, 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 needs of our growing business and fill our expanding production capacity, the Group continues to actively work with grape growers to enlarge their existing vineyards so as to enjoy better economies of scale and improve quality by adopting state-of-the-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 by the Group. Such measures will enable us to secure quality grapes and grape juice supplies and lower the risk of bad harvests interrupting our production. The Group has also been looking into importing grape juice from overseas applying the same stringent quality requirements it has on suppliers in the PRC.

The average cost of grape juice in 2010 is expected to slightly increase.

Production capacity

As its existing production facilities have almost reached full capacity, the Group has begun to build new production and research and development facilities in its Tianjin winery. Related construction works are underway with completion expected in the second half of 2010. By then its annual production capacity will be increased from 50,000 tonnes (equivalent to approximately 66.7 million bottles) to 70,000 tonnes (equivalent to approximately 93.3 million bottles) to promptly respond to the surging market demand and consolidate the Group's market leading position.

Prospects

Looking forward, the Group remains optimistic about the prospects of the PRC economy and sees ample opportunities in the PRC wine market. By leveraging the competitive advantages of the Group including strong brand recognition, an extensive distribution network and comprehensive product and market knowledge, the management and staff are confident in the future business development of the Group.

As its landmark 30th anniversary in 2010 arrives, the Group promises to continue to maintain its leadership position in the wine market, and at the same time will explore appropriate acquisition opportunities and exclusive distribution partnerships with overseas companies to expand the reach and scope of our business in synergy with our business strategies to help the Group to create greater value for shareholders in the next 30 years and beyond.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff 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. The Group is committed to staff training and development to support the need of the business and the individuals, so employees are encouraged to enrol in external professional and technical seminars, and other training programs and 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.

The Group employed a work force of 455 (including Directors) in Hong Kong and the PRC as at 31 December 2009. The total salaries and related costs (including the Directors' fees) for the year ended 31 December 2009 amounted to approximately HK$123.9 million (2008 – HK$108.8 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 and the long-term growth of the Group. As at 31 December 2009, 14,400,000 share options were granted and outstanding under the scheme.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's cash and cash equivalents, and fixed deposits amounted to HK$1,033 million. It has a strong cash position for satisfying the working capital requirements of business operations and capital expenditures. New investment opportunities, if any, will be funded by the Group's internal resources.

CAPITAL STRUCTURE

The Group had no borrowing and was in a significant net cash and liquid position as at 31 December 2009, reflecting its sound capital structure. The net proceeds raised from the placing and public offer in 2005 have strengthened the Group's capital structure, giving it sufficient cash to support operating and capital expenditure requirements in the foreseeable future.

As at 31 December 2009, the market capitalisation of the Company was approximately HK$3,137.4 million.

GEARING RATIO

The Group remained financially sound with strong liquidity and had no debts with total equity before minority interests of the Group amounted to approximately HK$1,828 million as at 31 December 2009 so as to ensure solvency and the Group's ability to continue as a going concern. The Group's gearing ratio, expressed as a ratio of total debts to total equity before minority interests, as at 31 December 2009 was nil (2008 – nil).

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

As at 31 December 2009, the Group made capital expenditure commitments including approximately HK$59 million that were authorised but not contracted for and approximately HK$24 million contracted but not provided for in the financial statements. These commitments were required mainly to support the Group's production capacity expansion. The funding of such capital commitments will be paid out of the net proceeds of the placing and public offer as stated in the listing prospectus dated 17 January 2005.

As at 31 December 2009, the Group had no contingent liabilities and none of the Group's assets was pledged except for restricted cash amounting HK$12 million pledged as security for the Transactions described in the section headed "New sales channel" under Business Review above and Note 10 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had not made any other material acquisitions or disposal of subsidiaries and associated companies during the year ended 31 December 2009.

DIVIDEND

Taking into account the Group's strong financial position and cash flow, the Board has recommended the payment of a final dividend of HK3.1 cents per share (2008 – HK1.9 cents per share) for the year ended 31 December 2009. Together with the interim dividend of HK2.8 cents per share (2008 – HK3.5 cents per share) already paid in October 2009, the total dividend for the year will be HK5.9 cents per share, representing an increase of 9 % compared with HK5.4 cents per share in 2008 and a dividend payout ratio of 47% (2008 – 47%), 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, 9 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed from 20 May 2010 to 26 May 2010, 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 branch 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 19 May 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any Shares of the Company during the year.

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 regarding directors' securities transactions throughout the financial year ended 31 December 2009.

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 on 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 2009 in conjunction with the Company's auditors.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF 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

On behalf of the Board, I would like to offer my sincere appreciation to our staff, management team, shareholders, customers, distributors, suppliers, business partners and all others who have worked together with us and supported us during 2009.

By order of the Board
Mr. Bai Zhisheng
Chairman

Hong Kong,
31 March 2010

As at the date of this announcement, the Board of Directors comprises 3 executive directors, namely, Mr. Bai Zhisheng, Mr. Gao Feng and Mr. Huang Yaqiang, 6 non-executive directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Zheng Daoquan, Mr. Jean-Marie Laborde, 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, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 have been agreed by the Group's auditor, 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.