



• The Finest Traditions • The Supreme Quality • The State-of-the-art Winemaking Skills •





Every step from vine
to glass, Dynasty takes pride in its
supreme quality.

Chairman's Statement



Bai Zhisheng

Chairman, General Manager & Executive Director

I am pleased to present our annual report for the year ended 31 December 2005 and to record a strong financial position providing a solid foundation for our future growth and development.

Financial Results

The Group has recorded a profit attributable to equity holders of the Company of HK\$179 million for 2005, compared with a profit of HK\$166 million in 2004, although our turnover surged 17.8% to HK\$947 million. This was achieved on the basis of an increased cost of grape juice for the year. Earnings per share was HK\$0.15 per share (2004 – HK\$0.18 per share on a pro forma basis as if 900,000,000 shares were outstanding since 1 January 2003).

The Group maintained its strong capital structure and robust cash flow, thereby affirming Dynasty's ability to generate sustainable and healthy returns for its shareholders.

Business Review

With intensive market competition, the Group focused its efforts on providing high quality products and enhancing brand awareness and loyalty which, as a result, helped to firmly maintain the Group as one of the leading players in the grape wine market in the PRC.

Our first-phase capacity expansion from 30,000 tonnes to 50,000 tonnes has made significant progress and is expected to be completed by June 2006. Our actual production reached 35,000 tonnes during the year.

The Group completed the acquisition of Smiling East at a consideration of HK\$47 million in February 2005. The acquisition helps to secure our grape juice supplies. The acquired business contributed a net profit of HK\$3.5 million to the Group for the year ended 31 December 2005.

In the fourth quarter of 2005, the Group set up a wholly-owned subsidiary in Hong Kong, namely Dynasty Fine Wines (Asia Pacific) Limited which entered into a distribution agreement with a prominent trading company in Hong Kong. Together with the distributor we have tapped into supermarkets, restaurants, hotels and retailers in Macao and Hong Kong's markets. It is a step forward for the Group to become an internationally recognised and respectable player.



Dividends

An interim dividend of HK3.7 cents per Share was paid in November 2005. With a solid financial position and in view of our strong cash flow and rising equity base, the Board recommends payment of a final dividend of HK2.0 cents per Share for the financial year ended 31 December 2005, making an aggregate dividend payment of HK5.7 cents per Share for the full financial year. This translates into a 40% dividend payout ratio of the current year profit which represents a prudent decision to provide shareholders with a favorable cash return.

Looking to the Future

The year of 2006 will continue to be a challenging year to the industry because of further rising cost of grape juice, which may continue to erode our margins in the short term. We are well prepared to take up these challenges ahead by leveraging on our competitive advantages including strong brand recognition, a well established nationwide distribution network, enhanced production facilities, a good product mix of consistent high quality, strong partnership with Remy Cointreau, and diversified sources of grape juice supply. We are confident the Group is well positioned to capture the opportunity offered by the fast growing grape wine market in the PRC and continue to bring satisfactory returns for our shareholders in the future.

Directorships Changes

Mr. He Xiuheng retired from his positions as chairman and executive director and Mr. Gao Xiaode retired as general manager and executive director on 1 January 2006, and I, Bai Zhisheng, have taken up the chairmanship and general manager in succession. On behalf of the Board, I would like to take the opportunity to thank Mr. He and Mr. Gao for their great contribution to the Group. I also hope that my many years' management experience and professional knowledge in the industry will contribute to the Group's growth and development and create better returns to the shareholders.

Acknowledgement

On behalf of the Board of Directors, I wish to take this opportunity to thank deeply the shareholders for their support, the management and staff for their tireless aptitude, devotion and commitment to serve the Group and our customers for their invaluable patronage.

Bai Zhisheng

Chairman, General Manager & Executive Director

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