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TONTINE

CHINA TONTINE WINES GROUP LIMITED
中國通天酒業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 389)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 20.1% to approximately RMB584.3 million (2008: approximately RMB486.7 million)
- Gross profit increased by approximately 22.1% to approximately RMB338.2 million (2008: approximately RMB276.9 million)
- Net profit after tax for the year increased by approximately 27.3% to approximately RMB174.1 million (2008: approximately RMB136.8 million)
- Earnings per share increased by approximately 23.3% to approximately RMB12.7 cents (2008: approximately RMB10.3 cents)
- Proposed final dividend HK2.88 cents per share (equivalent to RMB2.53 cents per share) (2008: Nil)

The board of directors (the "Board") of China Tontine Wines Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009, prepared on the basis set out in Note 2.1, together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009**	2008
		RMB'000	*RMB'000*
Revenue	*4*	**584,336**	486,708
Cost of sales		**(246,145)**	(209,769)
Gross profit		**338,191**	276,939
Other income		**1,681**	244
Selling and distribution expenses		**(67,912)**	(53,500)
Administrative expenses		**(13,267)**	(9,761)
Other expenses	*5*	**(9,028)**	(13,012)
Profit before tax		**249,665**	200,910
Income tax expense	*6*	**(75,560)**	(64,122)
Profit and total comprehensive income for the year attributable to owners of the Company	*7*	**174,105**	136,788
Earnings per share	*9*		
Basic *(RMB)*		**12.7 cents**	10.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current Assets			
Property, plant and equipment		**102,550**	105,131
Prepaid lease payments		**3,849**	3,941
		106,399	109,072
Current Assets			
Inventories		**148,604**	142,993
Trade receivables	*10*	**98,776**	81,292
Deposits and prepayments		**291**	975
Prepaid lease payments		**92**	92
Bank balances and cash		**713,331**	115,816
		961,094	341,168
Current Liabilities			
Trade payables	*11*	**16,154**	12,933
Other payables and accruals		**38,813**	35,358
Tax liabilities		**24,548**	23,175
		79,515	71,466
Net Current Assets		**881,579**	269,702
Total Assets Less Current Liabilities		**987,978**	378,774
Non-current Liability			
Deferred tax liability		**17,428**	7,572
		970,550	371,202
Capital and Reserves			
Share capital		**15,118**	758
Reserves		**955,432**	370,444
Total Equity		**970,550**	371,202

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 21 August 2008. Its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, whilst its principal office is Unit No. 3612, 36th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.

Pursuant to a corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 28 October 2009. Details of the Corporate Reorganisation were set out in the section headed "Reorganisation" in Appendix VI to the prospectus of the Company dated 5 November 2009. The Company's shares have been listed on the Stock Exchange since 19 November 2009 (the "Listing").

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

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised 2009)	Related Party Disclosures[3]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2010.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the adoption of the other new or revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that regularly reviewed by the chief operating decision maker (i.e. the board of directors) of the Company in order to allocate the resources to the segment and to assess its performance.

The Group is principally engaged in the business of manufacturing and sales of grape wine products.

The Group's operating segments under HKFRS 8 are identified based on different geographical zones in the People's Republic of China ("PRC"): North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

- North-East Region refers to north-east region of PRC and includes the provinces of Liaoning, Jilin, and Heilongjiang.

- Northern Region refers to the northern region of PRC and includes provinces of Hebei, Shaanxi, Inner Mongolia, Shanxi and city of Beijing.

- Eastern Region refers to the eastern region of PRC and includes provinces of Jiangsu, Zhejiang, Anhui, Fujian, Shandong and city of Shanghai.

- South-Central Region refers to the south-central region of PRC and includes provinces of Henan, Hubei, Hunan, Guangdong and Hainan.

- South-West Region refers to the south-west region of PRC and includes provinces of Sichuan, Yunnan and Guizhou and city of Chongqing.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

No revenue from transaction with a single external customer is amounted to 10 per cent or more of the Group's revenue.

Information about operating segment revenues, profit, assets and liabilities

	North-East Region *RMB'000*	Northern Region *RMB'000*	Eastern Region *RMB'000*	South-Central Region *RMB'000*	South-West Region *RMB'000*	Total *RMB'000*
For the year ended 31 December 2009						
Segment revenue from external customers	87,349	112,179	186,908	74,624	123,276	584,336
Segment profit	47,482	58,806	95,651	37,811	61,604	301,354
For the year ended 31 December 2008						
Segment revenue from external customers	76,479	89,535	166,945	58,544	95,205	486,708
Segment profit	41,275	46,256	83,734	28,795	45,393	245,453
As at 31 December 2009						
Segment assets	13,871	18,902	28,726	14,931	22,346	98,776
Segment liabilities	3,878	4,980	8,297	5,473	3,313	25,941
As at 31 December 2008						
Segment assets	9,183	8,351	30,147	11,191	22,420	81,292
Segment liabilities	3,601	4,162	7,746	4,454	2,686	22,649

Reconciliations of operating segment revenue, profit, assets and liabilities

Revenue

No reconciliation of operating segment revenues is provided as the total revenues for operating segments is the same as Group's revenue.

	2009	2008
	RMB'000	*RMB'000*
Profit		
Total segment profits	**301,354**	245,453
Unallocated amounts:		
Other corporate income	**1,681**	244
Other corporate expenses	**(53,370)**	(44,787)
Consolidated profit before tax	**249,665**	200,910

Segment profit represented the profit earned by each segment without allocation of depreciation, selling expense and other corporate expenses.

	2009	2008
	RMB'000	*RMB'000*
Assets		
Total segment assets	**98,776**	81,292
Unallocated amounts:		
Property, plant and equipment	**102,550**	105,131
Prepaid lease payments	**3,941**	4,033
Inventories	**148,604**	142,993
Bank balances and cash	**713,331**	115,816
Deposits and prepayment	**291**	975
Consolidated total assets	**1,067,493**	450,240

Operating segment assets exclude property, plant and equipment, prepaid lease payments, inventories, deposits and prepayments and bank balances and cash which are commonly used for all segments.

	2009	2008
	RMB'000	*RMB'000*
Liabilities		
Total segment liabilities	**25,941**	22,649
Unallocated amounts:		
Trade payables	**16,154**	12,933
Tax liabilities	**24,548**	23,175
Deferred tax liability	**17,428**	7,572
Other payables and accruals	**12,872**	12,709
Consolidated total liabilities	**96,943**	79,038

Operating segment liabilities exclude trade payables, tax liabilities and deferred tax liability which cannot be allocated to the segments on a reasonable basis.

4. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts.

5. OTHER EXPENSES

The amount represents professional fees and other expenses related to the listing of shares of the Company. Pursuant to HKAS32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs incurred in relation to the concurrent offering of new shares and listing of other shares are recognised as an expense when incurred.

6. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
PRC Enterprise Income tax	**65,704**	56,550
Deferred tax		
Current year	**9,856**	7,572
	75,560	64,122

Provision for the PRC Enterprise Income Tax was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiary operated in the PRC.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits of PRC entities generated after 1 January 2008 shall be subject to PRC Enterprise Income Tax which is withheld by the PRC entity. Deferred tax expense of RMB9,856,000 (2008: RMB7,572,000) on the undistributed earnings of the PRC subsidiary has been charged to the profit or loss for the year.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit before tax	**249,665**	200,910
Tax charge at income tax rate of 25%	**62,416**	50,228
Tax effect of income not taxable for tax purpose	**(91)**	–
Tax effect of expenses not deductible for tax purpose	**3,379**	6,322
Deferred tax on undistributed earnings of a PRC subsidiary	**9,856**	7,572
Tax charge for the year	**75,560**	64,122

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2009	2008
	RMB'000	*RMB'000*
Profit and total comprehensive income for the year has been arrived at after charging:		
Auditor's remuneration	**1,408**	120
Directors' remuneration	**414**	111
Cost of inventories recognised as an expense	**187,711**	161,098
Depreciation of property, plant and equipment	**4,892**	4,791
Amortisation of prepaid lease payments	**92**	92
Research and development costs	**1,250**	1,180
Foreign exchange loss	**–**	57
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**6,120**	4,553
– sales commission	**13,509**	11,246
– retirement benefits scheme contribution	**702**	642

8. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividend proposed:		
Final dividend – HK2.88 cents (equivalent to RMB2.53 cents) (2008: nil) per share	**43,539**	–

A final dividend of HK2.88 cents (equivalent to RMB2.53 cents) for the year ended 31 December 2009 (2008: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

No dividend has been paid or declared by the Company or its subsidiaries during the year ended 31 December 2008.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2009	2008
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**174,105**	136,788

	2009	2008
	Number of shares	*Number of shares*
Number of shares		
Weighted average number of ordinary shares	**1,367,939,326**	1,324,672,000

The weighted average number of shares for the purpose of calculating basic earnings per share for each of the two years ended 31 December 2009 and 2008 is based on the assumption that the 132,467,200 shares issued and outstanding upon the Corporate Reorganisation had been in issue as at beginning of the respective years and also has been adjusted for the 1,192,204,800 shares issued pursuant to the capitalisation issue.

No diluted earnings per share has been presented for both years as the Company has no potential dilutive ordinary shares outstanding during both years.

10. TRADE RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**98,776**	81,292

The Group allows a credit period of 90 days to its trade customers except for the new customers newly accepted which payment is made when goods are delivered. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
0 – 30 days	**84,960**	77,558
31 – 60 days	**13,816**	3,734
	98,776	81,292

No trade receivable balance is past due at the end of the reporting period.

11. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2009	2008
	RMB'000	*RMB'000*
0 – 30 days	**4,992**	7,548
31 – 60 days	**8,779**	5,385
61 – 90 days	**2,383**	–
	16,154	12,933

The average credit period on purchase of material other than grapes is 90 days and cash on delivery on purchase of grapes.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year, the Group's operating environment experienced unprecedented turbulence as a result of the global economic crisis. However, with the continuous economic growth in the PRC and the economic stimulus packages put out by the PRC government, the global economic condition has gradually stabilized since the second quarter of the year. As a result, the Group experienced an overall positive growth in its business.

The Group recorded a revenue of approximately RMB584.3 million (2008: RMB486.7 million), representing an increase of approximately 20.1% for the year ended 31 December 2009 and the Group's profit attributable to equity holders of the Company increased by approximately 27.3% to approximately RMB174.1 million (2008: RMB136.8 million).

The Company's earnings per share reached RMB12.7 cents per share (2008: RMB10.3 cents per share) based on the weighted average number of shares in issue during the year.

The improvement in financial results in 2009 was mainly attributable to increase in sales volume and improvement of the gross profit margin.

BUSINESS REVIEW

Sales and distribution network

The Group sells substantially all of our products to distributors, who distribute and sell our grape wine to third-party retailers, including supermarkets, and specialty stores selling tobacco and alcohol, food and beverage outlets such as restaurants, and hotel restaurants, as well as through their own direct sales distribution to end-consumers and other sub-distributors.

As at 31 December 2009, the Group's products were sold through 71 distributors in 19 provinces and 3 municipal cities in the PRC. All distributors are independent third parties and generally engaged in the business of distributing and selling of grape wine products.

Generally, the Group selects distributors to distribute grape wines products within a designated geographical area and such selections are based on factors such as economic strength, sales network in the Group's target market, product knowledge, mutual goodwill and common objectives, good track record and successful experience in consumption goods distribution, and high moral integrity, credibility and social standing.

The Group enters into a standard distribution agreement with each of our selected distributors for a period of 1 year and following successful negotiation between the parties upon the expiry of the existing distribution agreements, the Group will renew such agreements with distributors each year. In order to facilitate and assist the marketing and the sales of distributors, the Group bears the delivery costs and implement advertising strategies primarily through television commercial, billboards, magazines to emphasize the health benefits of moderate consumption of grape wines in order to establish consumer loyalty and strengthen the popularity of our products.

The Group does not have any ownership or management control over the distribution network. In order to supervise these distributors, the Group assigns sales managers to work closely with the distributors in order to monitor their performance and obtain market feedback on the Group's products. In addition, the Group conducts annual appraisals on the distributors to determine whether the Group will renew the distribution agreements with them, taking into consideration their sales network, promotion approach, creditability and inventory accumulation.

The following table sets forth a breakdown of our revenue by sales region for the year:

	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
North-East[1] (Refer to Note 3 above)	**87,349**	**14.9%**	76,479	15.7%
Northern (Refer to Note 3 above)	**112,179**	**19.2%**	89,535	18.4%
Eastern (Refer to Note 3 above)	**186,908**	**32.0%**	166,945	34.3%
South-Central (Refer to Note 3 above)	**74,624**	**12.8%**	58,544	12.0%
South-West (Refer to Note 3 above)	**123,276**	**21.1%**	95,205	19.6%
Total	**584,336**	**100.0%**	486,708	100.0%

The geographical distribution of our sales remained relatively stable. Revenue derived from our sales in the eastern region of China made the largest contribution to our total revenue. The eastern region of China is our largest market with the highest number of distributors, as it is a comparatively more affluent region in the PRC with relatively high levels of per capita income, where consumers have a general preference towards wine products over other alcoholic beverages. The south-west and northern regions of China are also our significant markets, where some of our key distributors are located.

The Group will continue to expand and optimize its distribution network by working closely with the Group's distributors and leveraging their local resources and business networks.

Supply of grapes

Production of quality wine products is highly dependent upon sufficient supply of quality grapes and grape juice. Currently, we source our supply of grape from 173 local grape farmer suppliers, whose vineyards are located in the regions around Ji' An City, Jilin Province, the PRC at the foothills of Changbai mountain range on the banks of the Yalu river. In order to maintain reliable and stable supplies of quality grapes to meet our needs, we have entered into a 20 years long-term contract with each of our grape farmer suppliers and our vineyard management team supervises the planting, nurturing and harvesting of the grapevines.

Production capacity

Currently, the Group's annual production capacity is 19,000 tonnes. In September 2007, the Group commenced construction of new production facilities. The construction is well in progress. Upon the completion of the new production facilities construction, which is expected to be occurred by the end of 2010, the Group's annual production capacity will be increased to 39,000 tonnes. The enlarged production capacity will enable us to promptly respond to the market demand and expand our market position.

(1) Sales in North-East region include direct sales in Jilin Province.

Business outlook

Looking ahead, the Group remains optimistic about the prospects of the PRC economy and its business with the PRC government putting its weight behind the economy. The Group will continue to improve the revenue and profitability by expanding sales and distributorship networks, especially in second tier cities in the PRC; implement tight cost control measure, stringent quality management and competitive pricing strategy.

Develop Tontine wine estate

The Group plans to develop a wine estate in Ji'An City, Jilin Province, the PRC, to produce premium range of our estate bottle wines from high quality grapes. Wines produced by the wine estate, which will be labelled as "Estate Bottled", will be produced from high quality grapes grown in our self-operated vineyards within our wine estate. Our wine estate, with vineyards covering a total area of approximately 2,000 mu, will be installed with wine production and wine cellaring facilities and is expected to have an annual yield of 500 tonnes (approximately 600,000 units of 750 ml bottles).

Develop Tontine wine cellar

The Group plans to develop wine cellaring capabilities to complement our production facilities in Tonghua County, Jilin Province, the PRC. A wine cellar is a place where a stock of wine is properly stored under a controlled environment to undergo an ageing process to produce a range of winery products. The storage capacity of the wine cellar is designed up to 600,000 units of 750ml bottles could be processed.

Expand and develop distribution network

The Group plans to enhance our current sales and distribution and network throughout the PRC by establishing not less than 20 Tontine retail outlets in certain selected markets in the PRC within the next 4 years. As at the date of this announcement, the setting up of our branded retail outlets was yet to be launched. We plan to establish 5 retail outlets (Beijing, Chengda, Shanghai, Shenyang and Wuhan) in 2010. These retail outlets will serve as direct sales and marketing platform for Tontine brands, and provide marketing support to the distributors.

The management believes that the Group is able to remain competitive in the market and explore the market potential further in the forthcoming years.

FINANCIAL REVIEW

Revenue

Revenue represents proceeds from sale of grape wine products. Our revenue increased by approximately 20.1% to approximately RMB584.3 million for the year ended 31 December 2009 from approximately RMB486.7 million in 2008. Our customers mainly comprised of regional distributors in the PRC and we sold our products to our distributors at price ranging from approximately RMB5.9 to RMB115.0 per bottle. The following table set forth a breakdown of the Group's revenue for the year:

The growth in revenue was due to a satisfactory increase in sales volume.

	2009		2008		Growth of Revenues
	RMB'000	***% of total revenues***	*RMB'000*	% of total *revenues*	*(%)*
Revenue					
Sweet wines	**403,830**	**69.1%**	321,387	66.0%	25.7%
Dry wines	**180,506**	**30.9%**	165,321	34.0%	9.2%
Total	**584,336**	**100.0%**	486,708	100.0%	

Revenue derived from the sales of our sweet wine products is generally higher than that of our dry wine products primarily because of our business strategy in focusing on the promotion of our sweet wine products which have better profit margins.

The following table set forth the number of units sold and the average selling prices of the Group's products for the year:

	2009		2008	
	Total units sold *tonnes*	**Average[1] selling price** ***RMB'000 per tonne***	Total units sold *tonnes*	Average[1] selling price *RMB'000 per tonne*
Revenue				
Sweet wines	**12,046**	**33.5**	11,155	28.8
Dry wines	**6,432**	**28.1**	6,000	27.6
Total	**18,478**	**31.6**	17,155	28.4

During the years, we did not adjust the individual selling prices of our products. However, the overall average selling prices of our sweet and dry wine products have increased as a result of a shift in our sales mix towards products with higher gross profit margin, which are generally products with higher selling prices, as we focused on growing their sales.

1 Weighted average selling prices of sweet or dry wine products (as applicable) taken into account the actual sales volume of each wine product.

Cost of sales

	2009		2008	
	RMB'000	***%***	*RMB'000*	*%*
Raw materials				
– Grapes and grape juice	**112,629**	**45.8%**	93,920	44.8%
– Yeast and other additives	**8,553**	**3.5%**	7,591	3.6%
– Packaging materials	**59,470**	**24.2%**	52,520	25.0%
– Others	**627**	**0.2%**	808	0.4%
Total raw material cost	**181,279**	**73.7%**	154,839	73.8%
Production overheads	**6,432**	**2.6%**	6,259	3.0%
Consumption tax	**58,434**	**23.7%**	48,671	23.2%
Total cost of sales	**246,145**	**100%**	209,769	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, label, corks and packing boxes. In 2009, the cost of grapes and grape juices were the key component of cost of sales and accounted for approximately 45.8% of the Group's total cost of sales, representing an increase of approximately 1.0% from approximately 44.8% in 2008, contributed by the increase in average cost of grape and grape juice. During the year, the total cost of packaging materials to revenue was relatively stable as compared with last year.

Production overheads primarily consists of depreciation, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses for production. Production overheads as a percentage of revenue in 2009 remained stable as compared with that of 2008.

Gross profit and gross profit margin

Gross profit is calculated based on the Group's revenue less cost of sales. During the year, the gross profit of the Group increased by approximately 22.1% from approximately RMB276.9 million to approximately RMB338.2 million. This was mainly attributable to the increase in the sales volume of our grape wine products, particularly in our products with higher profit margins.

Our average gross profit margin increased by approximately 1.0% from approximately 56.9% to approximately 57.9%. This was mainly attributable to the shift in our sales mix towards higher margin products.

Selling and distribution expenses

Selling and distribution expenses mainly comprises advertising and promotional expenses, transportation costs, sales commission paid and miscellaneous expenditures related to our sales and marketing personnel.

During the year, the selling and distribution expenses increased and accounted for approximately 11.6% (2008: 11.0%) of the Group's revenue. The slight increase in selling and distribution expenses was primarily attributable to (i) increase in sales commissions as a result of the higher revenue achieved for the year; (ii) increase in transportation costs which was broadly in line with increase in sales; and (iii) increase in advertising and promotional charges by 41.1% from approximately RMB22.0 million for the financial year 2008 to approximately RMB31.0 million for the financial year 2009.

Administrative expenses

Administrative expenses mainly comprises salaries and welfare benefits paid, directors' fees, product development expenses, insurance premium, other tax expenses, depreciation and amortization expenses and other incidental administrative expenses.

In 2009, administrative expenses represented 2.3% of our revenue. It was increased by approximately 35.7% from approximately RMB9.8 million for the financial year 2008 to approximately RMB13.3 million for the financial year 2009, which was mainly attributable to the non-capitalizable listing expenses, administrative staff salaries and the expenses related to the Hong Kong office that was set up in 2009.

Income tax expenses

Tax represents amounts of PRC enterprise income tax charged at the applicable tax rates in accordance with the relevant law and regulations in the PRC. Pursuant to the PRC enterprise income tax law passed by the Tenth National Prople's Congress on 16 March 2007, the enterprise income tax rate of the subsidiary of the Company incorporated in the PRC had changed to 25% with effect from 1 January 2008. For the year ended 31 December 2009, the effective tax rate of the Group decreased to approximately 30% (2008: 32%), principally due to more marketing expenses being tax deductable. Our effective tax rates were higher than our PRC enterprise income tax rate because commencing from 1 January 2008, the amount of our taxation also included deferred tax calculated at the applicable withholding tax rate of the undistributed earnings of the PRC subsidiary derived on or after 1 January 2008 pursuant to the joint circular of the Ministry of Finance and State Administration of Taxation (Cai Shui 2008 No. 1).

Net profit for the year

The net profit after tax for the current year increased from approximately RMB136.8 million in 2008 to approximately RMB174.1 million, representing a growth of approximately 27.3%. This was mainly attributed to a stable gross profit margin and increase in sales volume.

Trade receivables analysis

We grant a credit period of 90 days for our distributors except for newly accepted customers who are required to settle our invoices upfront in cash for the whole or substantially the whole of our initial shipment.

As at 31 December 2009, the trade receivables were approximately RMB98.8 million (2008: RMB81.3 million) and average trade receivables turnover days were approximately 56 days (2008: 54 days). The average trade receivables turnover days slightly increased in 2009 primarily due to our granting of credit periods to customers who started purchasing our products in 2008.

Trade payables analysis

We pay grape farmers cash on delivery for the purchase of grapes. The credit period on purchase of our raw materials other than grapes is 90 days.

As at 31 December 2009, the trade payables were approximately RMB16.2 million and average trade payables turnover days were approximately 28 days (2008: 27 days). The average trade payables turnover days increased primarily due to the increased purchase of raw materials toward the year end in preparation for the expected increase in sales in December 2009 and early 2010.

Inventories analysis

We generally maintain our inventories at certain acceptable level to meet the seasonal, market and other commercial needs.

As at 31 December 2009, the inventories were approximately RMB148.6 million (2008: RMB143.0 million) and average inventory turnover days were approximately 284 days (2008: 302 days). The inventory turnover days for our business is generally higher because we procure all the grapes, being the principal raw material for the production of our grape wine products, required for our production during the harvesting months between September and November for each year which will then be consumed in the course of production until the next harvest of grapes in the following year. The shorter average inventory turnover days during the year was primarily the result of faster sale of products.

Financial management and treasury policy

As at 31 December 2009, except for the net proceeds from the placing and public offer of the shares of the Company in 2009 (the "Share Offer"), the Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). Accordingly, there is no significant exposure to foreign exchange fluctuation.

The proceeds from the Share Offer that were not already used for the intended purposes have been placed on short term deposits in Hong Kong. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Directors consider that the Group has limited foreign currency exposure because our operations are conducted in the PRC. Sales and purchases are mainly denominated in Renminbi. In view of the minimal foreign currency exchange risk, we would closely monitor the foreign currency movement instead of entering into any foreign exchange hedge arrangement.

The Group will continue to pursue a prudent treasury management policy and is in a strong liquidity position with sufficient cash to cope with daily operations and future development demands for capital.

With the strong cash and bank balances, we are in a net cash position and thus are exposed to minimal financial risk on interest rate fluctuation.

HUMAN RESOURCES MANAGEMENT

Employment and remuneration policy

Quality and dedicated staff are our most important assets and are indispensable to our success in the competitive market. As part of our corporate culture, we strive to ensure a strong team spirit among our employees for them to contribute towards our corporate objectives. In achieving the goal, we offer competitive remuneration packages commensurate with the industry level and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits to the employees in Hong Kong and in the PRC. Employees are encouraged to enroll 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.

As at 31 December 2009, the Group employed a work force of 365 (including Directors) in Hong Kong and in the PRC. The total salaries and related costs (including the Directors' fee) for the year ended 31 December 2009 amounted to approximately RMB20.3 million (2008: RMB16.4 million).

INITIAL PUBLIC OFFERING

During the year, we devoted our efforts in rowing our business and preparing for the Listing. With the dedication of all our staff, the Group was successfully listed on the Main Board of the Stock Exchange on 19 November 2009. The Share Offer was well received by institutional and public investors and in particular, the public offer was over subscribed by more than 290 times. Upon the completion of the Share Offer, we issued a total of 393,262,000 new shares, including the shares issued upon the exercise of the over-allotment option. The gross proceeds raised from the Share Offer amounted to approximately HK$491.6 million (equivalent to approximately RMB432.6 million). The satisfactory results of the Share Offer reflected the confidence of investors in the prospects of our business as well as in the grape wine industry of the PRC. The Listing is a milestone in the Group's development, laying the foundation of our further growth in the industry.

USE OF PROCEEDS

As disclosed in the prospectus of the Company dated 5 November 2009 ("Prospectus"), we intend to use the net proceeds (after taken into the exercise of over-allotment option) from the Share Offer of approximately HK$438.9 million (equivalent to approximately RMB362.2 million) as follows:

	HK$ million
Expansion of production facilities	113.6
Development of wine estate	68.2
Development of wine cellar	45.5
Developing and increasing awareness of our brand	105.2
Expansion of distribution network	52.6
Working capital and other general corporate purposes	53.8
Total	438.9

As at 31 December 2009, the net proceeds raised from the Share Offer were not utilized and were placed as short term bank deposits in Hong Kong and in the PRC. The Company intends to apply the net proceeds in the same manner as disclosed in the Prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

Our working capital was healthy and positive for the financial years 2008 and 2009 and we generally financed our operation with internal cash flows generated from operations for the past years.

Our net working capital continued to improve during the year ended 31 December 2009. As at 31 December 2009, we recorded a net current assets position of approximately RMB881.6 million (2008: RMB269.7 million). The improvement was primarily due to (i) an increase in our bank balances and cash by approximately of RMB158.6 million as a result of the improvement in our business performance in 2009; (ii) approximately RMB438.9 million net proceeds raised from the Share Offer.

CAPITAL COMMITMENTS AND CHARGES ON ASSETS

The Group made capital expenditure commitments including approximately RMB178.6 million that were authorised but not contracted for and approximately RMB21.4 million contracted but not provided for in the financial statements as at 31 December 2009. 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 Share Offer as stated in the Prospectus and cash generated from operating activities.

As at 31 December 2009, none of the Group's assets was pledged.

DIVIDEND

The Directors recommend, subject to shareholders' approval at the forthcoming annual general meeting (the "AGM"), the payment of a final dividend of HK2.88 cents per share (equivalent to RMB2.53 cents per share) for the year ended 31 December 2009 to those shareholders whose names appear on the register of members of the Company on 3 June 2010. The final dividend is expected to be paid on or no later than 28 June 2010.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to, among others, the final dividend for the year ended 31 December 2009, the register of members of the Company will be closed from 1 June 2010 to 3 June 2010 (both dates inclusive) during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investors Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 31 May 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the financial 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 to 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

Throughout the year, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") and complied with the code provisions ("Code Provisions") and certain recommended best practices set out in the Code contained in Appendix 14 to the Listing Rules, save for the deviation from Code Provision A.2.1, which states that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. Mr. Wang is responsible for the overall business strategy and development and management of our Group. The Board considers Mr. Wang, the chairman of the Board & CEO of the Company, is able to lead the Board in major business decision making for the Group. Therefore, Mr. Wang assumes the dual roles of being the Chairman of the Board & CEO of the Company notwithstanding the deviation.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 28 October 2009. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao.

The Audit Committee has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the year ended 31 December 2009.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND OF THE STOCK EXCHANGE

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.tontine-wines.com) or (http://www.tontine-wines.com.hk effective from 15 April 2010). The annual report for the year ended 31 December 2009 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, investors, business partners and customers for their continued support. I would also like to thank our senior management team and all staff for their unfailing hard work and brilliant contributions for the past few years.

By order of the Board
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 15 April 2010

As at the date of this announcement, the Executive Directors are Mr. Wang Guangyuan, Mr. Zhang Hebin and Ms. Wang Lijuan and the Independent Non-executive Directors are Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao.

This document is prepared in both English and Chinese. In the event of inconsistency, the English text of this document shall prevail over the Chinese text.