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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 2013

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 73.3% to approximately RMB176.0 million (2012: approximately RMB658.1 million).
- Gross loss was approximately RMB90.1 million as compared with the gross profit of approximately RMB331.2 million for last year.
- Loss and total comprehensive expense for the year attributable to owners of the Company was approximately RMB503.9 million as compared with the profit and total comprehensive income attributable to owners of the Company of approximately RMB88.9 million for last year.
- Basic loss per share was approximately RMB25.0 cents as compared with the basic earnings per share of approximately RMB4.4 cents for last year.

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 2013 (the “Year”), prepared on the basis set out in Note 2.1, together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**175,996**	658,111
Cost of sales		**(266,143)**	(326,900)
Gross (loss) profit		**(90,147)**	331,211
Other income		**15,306**	7,746
Selling and distribution expenses		**(238,726)**	(146,493)
Administrative expenses		**(53,711)**	(50,791)
Change in fair value of biological assets		**(3,047)**	–
Impairment of property, plant and equipment		**(158,668)**	–
(Loss) profit before tax		**(528,993)**	141,673
Income tax credit (charge)	*5*	**25,137**	(52,805)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	*6*	**(503,856)**	88,868
		(503,856)	88,868
(Loss) earnings per share	*8*		
Basic *(RMB cents)*		**(25.0)**	4.4
Diluted *(RMB cents)*		**(25.0)**	4.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current Assets			
Property, plant and equipment		**549,693**	287,213
Prepaid lease payments		**84,762**	80,542
Intangible assets		**25,781**	–
Deposits paid for acquisition of property, plant and equipment		**48,389**	17,780
Deposits paid for a potential acquisition		**–**	94,618
Biological assets		**5,750**	5,165
		714,375	485,318
Current Assets			
Inventories		**258,481**	255,374
Trade receivables	*9*	**59,144**	78,072
Deposits and other receivables		**19,650**	7,655
Tax recoverable		**5,551**	–
Prepaid lease payments		**3,125**	2,965
Bank balances and cash		**530,920**	1,104,903
		876,871	1,448,969
Current Liabilities			
Trade payables	*10*	**13,084**	7,928
Other payables and accruals		**45,218**	23,494
Tax liabilities		**12,833**	9,600
		71,135	41,022
Net Current Assets		**805,736**	1,407,947
Total Assets Less Current Liabilities		**1,520,111**	1,893,265
Non-current Liabilities			
Deferred tax liabilities		**23,015**	41,707
		1,497,096	1,851,558
Capital and Reserves			
Share capital		**17,624**	17,624
Reserves		**1,330,078**	1,833,934
Equity Attributable to owners of the Company		**1,347,702**	1,851,558
Non-controlling interests		**149,394**	–
Total Equity		**1,497,096**	1,851,558

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Special reserve** *RMB'000* *(Note a)*	**Statutory reserves** *RMB'000* *(Note b)*	**Share option reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2012	17,624	910,541	86,360	117,773	27,221	641,973	1,801,492	–	1,801,492
Profit and total comprehensive income for the year	–	–	–	–	–	88,868	88,968	–	88,868
Recognition of equity-settled share-based payments	–	–	–	–	8,259	–	8,259	–	8,259
Share option lapsed/forfeited	–	–	–	–	(20,502)	20,502	–	–	–
Dividends recognised as distribution	–	–	–	–	–	(47,061)	(47,061)	–	(47,061)
Transfer to statutory reserves	–	–	–	12,861	–	(12,861)	–	–	–
At 31 December 2012	17,624	910,541	86,360	130,634	14,978	691,421	1,851,558	–	1,851,558
Loss and total comprehensive expense for the year	–	–	–	–	–	(503,856)	(503,856)	–	(503,856)
Share option lapsed/forfeited	–	–	–	–	(6,719)	6,719	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	149,394	149,394
At 31 December 2013	17,624	910,541	86,360	130,634	8,259	194,284	1,347,702	149,394	1,497,096

Notes:

(a) Special reserve represents the difference between the nominal value of the shares of the Company issued and the aggregate of the nominal value of the issued shares and the share premium of the holding company for which the shares of the Company have been issued in exchange upon a corporate reorganisation to rationalise the Group structure prior to listing of the Company's share on The Stock Exchange of Hong Kong Limited.

(b) In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), the PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries) but before dividend distributions.

All appropriations to the funds are made at the discretion of the board of directors of the subsidiaries. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital of the PRC subsidiaries subject to approval from the relevant PRC authorities. The general reserves fund may be used to offset accumulated losses or increase the registered capital of the subsidiaries subject to approval from the relevant PRC authorities.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(528,993)**	141,673
Adjustments for:		
Interest income	**(11,275)**	(7,573)
Depreciation of property, plant and equipment	**21,285**	14,086
Amortisation of prepaid lease payments	**1,118**	92
Share-based payments	**–**	8,259
Impairment of property, plant and equipment	**158,668**	–
Write off of inventories	**138,365**	10,849
Write off of biological assets	**111**	1,062
Change in fair value of biological assets	**3,047**	–
Operating cash flows before movements in working capital	**(217,674)**	168,448
Increase in biological assets	**(3,103)**	(3,822)
Increase in inventories	**(87,869)**	(68,077)
Decrease in trade receivables	**36,558**	70,903
Increase in deposits and other receivables	**(11,995)**	(4,312)
Increase (decrease) increase in trade payables	**1,930**	(17,501)
Decrease in other payables and accruals	**(7,546)**	(26,690)
Cash (used in) generated from operations activities	**(289,699)**	118,949
Income tax paid	**(5,551)**	(73,922)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(295,250)**	45,027

	2013	2012
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Acquisition of a subsidiary (net of cash and cash equivalent balances acquired)	**(33,099)**	–
Interest received	**11,275**	7,573
Purchase of property, plant and equipment	**(227,763)**	(83,572)
Addition of prepaid lease payments	**–**	(17,157)
Deposits paid for a potential acquisition	**–**	(110,618)
Refund of deposits paid for a potential acquisition	**–**	36,000
Deposit paid for acquisition of property, plant and equipment	**(36,146)**	–
Government grant received related to acquisition of prepaid lease payments	**7,000**	–
NET CASH USED IN INVESTING ACTIVITIES	**(278,733)**	(167,774)
CASH USED IN FINANCING ACTIVITY		
Dividends paid	**–**	(47,061)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(573,983)**	(169,808)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,104,903**	1,274,711
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**530,920**	1,104,903

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider that the Company's ultimate holding company is Up Mount International Limited, a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

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

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical basis, except for the biological assets that are measured at fair value less costs to sell at the end of each reporting period. Historical cost is generally based on the fair value of consideration given in exchange for goods.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

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

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 20 disclosure). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 *Effective for annual periods beginning on or after 1 January 2014*

2 *Effective for annual periods beginning on or after 1 July 2014*

3 *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*

4 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*

5 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014. The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Other than the input disclosed above, the application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2012 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

3. REVENUE

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

4. SEGMENT INFORMATION

The Group determines its reportable and operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Executive Directors) of the Company in order to allocate the resources to the segment and to assess its performance. No operating segments identified by chief operating decision maker have been aggregated in arising at the reportable segments of the Group.

The Group is principally engaged in the business of manufacturing and sales of grape wine products. The Group is organised based on the region of goods delivered.

The Group's reportable and operating segments under HKFRS 8 are identified based on different geographical zones of goods delivered in the PRC: North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

- North-East Region includes the Provinces of Heilongjiang, Jilin and Liaoning.
- Northern Region includes the Provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.
- Eastern Region includes the Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang and city of Shanghai.
- South-Central Region includes the Provinces of Guangdong, Hainan, Henan, Hubei and Hunan.
- South-West Region includes the Provinces of Guizhou, Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.

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

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

The Group's operations are located in the PRC and all revenues from external customers and non-current assets are attributed to and located in the PRC.

Information about reportable and operating segment revenue, (loss) 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 2013						
Segment revenue from external customers	28,730	35,281	52,235	24,683	35,067	175,996
Segment loss	(15,253)	(18,736)	(35,255)	(16,572)	(25,725)	(111,541)
For the year ended 31 December 2012						
Segment revenue from external customers	93,487	132,519	213,560	84,846	133,699	658,111
Segment profit	43,874	59,782	93,112	35,566	55,115	287,449
As at 31 December 2013						
Segment assets	5,611	11,955	17,714	7,778	16,216	59,274
Segment liabilities	1,966	2,415	3,575	1,689	2,399	12,044
As at 31 December 2012						
Segment assets	11,132	8,119	25,022	7,442	31,827	85,542
Segment liabilities	1,020	1,446	2,330	926	1,459	7,181

Reconciliations of reportable and operating segment revenue, (loss) profit, assets and liabilities

Revenue

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

	2013	2012
	RMB'000	*RMB'000*
(Loss) profit		
Total segment (loss) profit	**(111,541)**	287,449
Unallocated amounts:		
Other corporate income	**15,306**	7,746
Other corporate expenses	**(432,758)**	(153,522)
Consolidated (loss) profit before tax	**(528,993)**	141,673

Reportable and operating segment (loss) profit represented the (loss incurred) profit earned by each segment without allocation of amortisation, depreciation, impairment expense, selling expense, other corporate expenses and other income.

	2013	2012
	RMB'000	*RMB'000*
Assets		
Total segment assets	**59,274**	83,542
Other unallocated amounts		
Property, plant and equipment	**549,693**	287,213
Prepaid lease payments	**87,887**	83,507
Intangible assets	**25,781**	–
Deposits paid for acquisition of property, plant and equipment	**48,389**	17,780
Deposits paid for a potential acquisition	**–**	94,618
Biological assets	**5,750**	5,165
Inventories	**258,481**	255,374
Deposits and other receivables	**19,520**	2,185
Tax recoverable	**5,551**	–
Bank balances and cash	**530,920**	1,104,903
Consolidated total assets	**1,591,246**	1,934,287

Reportable and operating segment assets comprise trade receivables and prepaid other tax receivables.

	2013	2012
	RMB'000	*RMB'000*
Liabilities		
Total segment liabilities	**12,044**	7,181
Other unallocated amounts		
Trade payables	**13,084**	7,928
Other payables and accruals	**33,174**	16,313
Tax liabilities	**12,833**	9,600
Deferred tax liabilities	**23,015**	41,707
Consolidated total liabilities	**94,150**	82,729

Reportable and operating segment liabilities comprise certain other payables and accruals.

5. INCOME TAX (CREDIT) CHARGE

	2013	2012
	RMB'000	*RMB'000*
The (credit) charge comprises:		
Current tax		
PRC Enterprise Income tax	**–**	45,805
Deferred tax		
Current year	**(25,137)**	7,000
	(25,137)	52,805

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 PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

The income tax (credit) charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB'000	*RMB'000*
(Loss) profit before tax	**(528,993)**	141,673
Tax (credit) charge at income tax rate of 25%	**(132,248)**	35,418
Tax effect of income not taxable for tax purpose	**(2)**	(184)
Tax effect of expenses not deductible for tax purpose	**5,944**	7,739
Tax effect of tax loss net recognised	**126,306**	–
Deferred tax on undistributed earnings of PRC subsidiaries	**(25,137)**	7,000
Others	**–**	2,832
Income tax (credit) charge for the year	**(25,137)**	52,805

6. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2013	2012
	RMB'000	*RMB'000*
(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging:		
Auditor's remuneration	**1,429**	1,431
Cost of inventories recognised as an expense	**239,560**	250,834
Depreciation of property, plant and equipment	**21,285**	14,086
Amortisation of prepaid lease payments	**2,904**	953
Less: amounts included in biological assets	**(1,786)**	(861)
	1,118	92
Research and development costs recognised as an expense (included in administrative expenses)	**10,100**	5,000
Net foreign exchange loss	**1,270**	1,662
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**14,993**	12,797
– share-based payments	**–**	8,259
– sales commission	**4,717**	15,229
– retirement benefits scheme contribution	**2,293**	1,858
	22,003	38,143
Write off of inventories (included in cost of sales)	**138,365**	10,849
Write off of biological assets (included in cost of sales)	**111**	1,062
Impairment of property, plant and equipment	**158,668**	–
Advertising and promotion expenses (included in selling and distribution expenses)	**214,968**	102,732

7. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
2012 Final – nil (2012: 2011 Final – HK2.88 cents (equivalent to RMB2.34 cents)) per share	**–**	47,061

No dividend was proposed during 2013, nor has any dividend been proposed since the end of the reporting period.

8. (LOSS) EARNINGS PER SHARE

The calculations of the basic and diluted (loss) earnings per share attributable to the owners of the Company are based on the following data:

	2013	2012
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company and (loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(503,856)**	88,868

	2013	2012
	Number of shares	*Number of shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,013,018,000**	2,013,018,000
Effect of dilutive potential ordinary shares – share options	**–**	502,935
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,013,018,000**	2,013,520,935

For the year ended 31 December 2013, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

9. TRADE RECEIVABLES

The Group allows a credit period of 90 days to its trade customers except for new customers which payment is made when goods are delivered. The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	RMB'000	*RMB'000*
0– 30 days	**35,926**	41,768
31– 60 days	**13,299**	32,669
61– 90 days	**9,919**	3,635
	59,144	78,072

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

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

10. TRADE PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
0– 30 days	**2,594**	481
31– 60 days	**4,337**	2,507
61– 90 days	**6,153**	4,940
	13,084	7,928

The average credit period on purchase of raw materials ranges from two to three months.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, China entered a "Structural Adjustment" and "Transformation and Upgrade stage" and was subject to downward pressure from the slowing economy. China recorded GDP (gross domestic product) growth of 7.7%, which was in line with the country's steady path of development. At the Third Plenary of the 18th Central Committee of China's Communist Party held at the end of 2013, the strategies to reinforce reform recognized the market as a determining factor for resource allocation, and issued a positive signal for the stable and healthy development of society and the economy. The Chinese economy will experience a shift from pursuing rapid growth to a new era of more market-oriented reforms with intensive and professional management. In 2013, affected by the economic slowdown and multiple policies introduced by the PRC government to promote frugality, the operating environment of the PRC high-end retail market and grape wine industry have faced many challenges.

The Group recorded a revenue of approximately RMB176.0 million (2012: RMB658.1 million) for the Year, representing a decrease of approximately 73.3% and the Group's loss and total comprehensive expense attributable to owners of the Company for the Year was approximately RMB503.9 million as compared with the profit and total comprehensive income attributable to owners of the Company of approximately RMB88.9 million for last year.

The Company's basic loss per share for the Year was approximately RMB25.0 cents based on the weighted average number of shares in issue during the Year.

Loss for the Year was mainly attributable to (i) the decrease in the Group's revenue due to economic slowdown and weaker demand for the domestic wine products; (ii) a substantial decrease in the Group's operating profit caused by a slump in the sales of its mid-range and high-end wines (which had adversely affected the Group's product mix and overall gross margin) mainly due to the PRC government-imposed restrictions on entertainment and hospitality as part of its anti-corruption drive; and (iii) an increase in selling and distribution expenses for brand building, sales and marketing of the grape wine products of the Group.

BUSINESS REVIEW

Sales and distribution network

The Group sells substantially all of its products to distributors, who distribute and sell such grape wine products to third-party retailers, including supermarkets, and speciality 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.

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 consumer goods distribution, and high moral integrity, credibility and social standing.

The Group constantly reviews the performance of the distributors within its sales and distribution network. During the Year, 29 new distributors were appointed, and cooperation with 21 distributors was terminated by the Group after careful selection and evaluation.

The Group enters into standard distribution agreement with each of its selected distributors for a period of one 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 sale of the Group's products by its distributors, the Group bears the delivery costs and implements advertising strategies primarily through television commercials and billboards to emphasize the health benefits of moderate consumption of grape wines in order to establish consumer loyalty and strengthen the popularity of its products.

The Group does not have any ownership or management control over its 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 of the performance of our 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.

To seize the opportunities for future business development, the Group completed the acquisition of 60% stake in 烟台白洋河釀酒有限責任公司 (Yantai Baiyanghe Winery Co., Ltd.*) ("Yantai Baiyanghe") during the Year. The acquisition would offer a good opportunity for the Group to expand its sales and distribution network in the PRC, enhance its grape wine products portfolio and strengthen its competitive position in the PRC. The Group envisages that the implementation of the acquisition would (i) enlarge both the Group's own premium high-end grape wine and imported grape wine portfolios, enrich the Group's wine products portfolio and broaden its fine wine offering to its customers on the one hand and (ii) upgrade the Group's grape wine making technology, enhance the level of product quality, increase production capacity, achieve economies of scale and lower production costs through integration of the production lines with Yantai Baiyanghe on the other hand. The Group also plans to integrate the sales and distribution channels of Yantai Baiyanghe so as to expand the sales and distribution network of the Group and effectively reduce marketing and promotion expenses which, in turn, is expected to enhance the Group's profitability in the long-run. All the above factors are expected to offer synergy effects and complementary benefits realization, allow resources-sharing, provide incentive for long-term collaboration and ultimately achieve a win-win situation for the Group and Yantai Baiyanghe. These strategic moves and planning are instrumental to the future business development of the Group.

As at 31 December 2013, the Group's products were sold through 176 distributors (including 96 distributors of Yantai Baiyanghe) in 22 provinces, 3 autonomous regions and 4 municipal cities in the PRC. All distributors are independent third parties and are generally engaged in the business of distributing and selling of grape wine products.

During the Year, the Group started to promote on-line trading and began to sell grape wine products on jiuxian.com (「酒仙網」), which is a popular online retail platform in the PRC, to further expand our sales channels and develop a new customer base. Although the online sales contribution was insignificant during the Year, we are optimistic about the prospects of this business because research findings suggest that the online trading business in China should grow steadily in the coming years and the country has the world's largest number of internet users.

In order to enhance the Group's sales and distribution network throughout the PRC, 16 Tontine retail shops were established in 15 cities (Anji, Beijing, Chengde, Chengdu, Dengfeng, Hangzhou, Jian, Luzhou, Nanning, Shanghai, Shenyang, Tonghua, Wuhan, Xiangtan and Zengcheng) as at 31 December 2013. These retail shops will serve as sales and marketing platforms for Tontine brand products, and provide marketing support to our distributors.

* *for identification purposes only*

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

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
North-East Region *(Note 1)*	**28,730**	**16.3%**	93,487	14.2%
Northern Region *(Note 2)*	**35,281**	**20.1%**	132,519	20.1%
Eastern Region *(Note 3)*	**52,235**	**29.7%**	213,560	32.5%
South-Central Region *(Note 4)*	**24,683**	**14.0%**	84,846	12.9%
South-West Region *(Note 5)*	**35,067**	**19.9%**	133,699	20.3%
Total	**175,996**	**100%**	658,111	100.0%

Notes:

1. North-East Region includes the Provinces of Heilongjiang, Jilin and Liaoning.

2. Northern Region includes the Provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.

3. Eastern Region includes the Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang and city of Shanghai.

4. South-Central Region includes the Provinces of Guangdong, Hainan, Henan, Hubei and Hunan.

5. South-West Region includes the Provinces of Guizhou, Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.

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 because 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 grape wine products is highly dependent upon sufficient supply of quality grapes and grape juice. Currently, we source our supply of grapes from 285 local grape farmer suppliers, whose vineyards are located in the regions around Ji'An City, Jilin Province, the PRC at the foothills of the 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 year long-term contract with each of our grape farmer suppliers and our vineyard management team supervises the planting, nurturing and harvesting of the grapevines. To ensure we have reliable and solid supplies of quality grapes and grape juice to meet the production needs of our growing business as well as our expanded production capacity, the Group has kept identifying new grape farmers and grape juice suppliers, who meet our quality requirements and thorough tests are conducted on the grapes and grape juice they produce. These procedures ensure we procure quality grape farmers and grape juice suppliers.

Production capacity

The Group's annual production capacity in Tonghua County, Jilin Province and Yantai Baiyanghe's annual production capacity in Qixia County, Shandong Province is 39,000 tonnes and 30,000 tonnes respectively. The combined production capacity enables the Group to promptly respond to market demand, enhances overall cost-effectiveness in terms of unit costs in the long run and provides a better platform for sustainable earnings growth in future.

The Group plans to develop a Tontine Wine Estate in Ji'An City, Jilin Province, to produce a premium range of our estate bottle wines from high quality grapes. Wines produced by the wine estate, which will be labelled as "Estate Bottled Wine", 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 around 500 tonnes (approximately 600,000 bottles (750 ml)). The construction of the wine estate was completed in December 2013. Vineyards in the region that covers a total area of approximately 887 mu have been set up and planted with different types of grapes including Beibinghong (北冰紅) and Vidal (威代爾).

The construction of the Tontine Wine Cellar located in Tonghua County, Jilin Province was completed in November 2013. 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 to accommodate an ample storage for the holding or processing of up to approximately 600,000 bottles (750 ml).

** *1 mu equals to approximately 667 square metres.*

Business outlook

Although the PRC grape wine industry has entered a period of adjustment, the grape wine market has become more rational and this would ensure a long-term sustainable development of the industry. In view of the rapid development of urbanization in China, the consumption power and living standards of Chinese citizens continue to improve, which result in the continuous growth in grape wine sales. The outlook of the long-term development of the PRC grape wine industry remains bright, and the middle and low-end grape wine supported by the mass and commercial markets will become the primary growth momentum for the sustainable development in the future grape wine industry.

In response to the industry adjustment and market changes, the Group will strive to improve its operational performance by actively adjusting and optimising its product and sales channel strategies. In respect of products, the Group will further enhance the product structure by speeding up the introduction of the new middle and low-end products to the market while promoting and enhancing its existing products. As for sales channels, with continuous efforts in maintaining and developing its existing channels, the Group will further penetrate into downward distribution channels and streamline the multi-layered sales channels in order to improve operational efficiency and reduce operating costs, with a view to improving product competitiveness in the end market. Meanwhile, the Group will further expand the online sales channels to better supplement its traditional sales channels. Furthermore, under the situation of a more intensely competitive market and during a period of in-depth adjustment of the grape wine industry, the Group will allocate resources in a more targeted and prudent manner, adopt more conservative financial management and more stringent costs control policies, strive for the best practices in every aspect of management, in order to grasp new development opportunities of the grape wine industry as and when they arise.

FINANCIAL REVIEW

Revenue

Revenue represents proceeds from the sale of grape wine products. Our revenue decreased by approximately 73.3% to approximately RMB176.0 million for the year ended 31 December 2013 from approximately RMB658.1 million in 2012. Our customers mainly comprised regional distributors in the PRC and we sold our products to our distributors at prices ranging from approximately RMB5.9 to RMB100.9 per bottle. The substantial decline in revenue was affected by the downward adjustment in the grape wine industry during the Year. The following table sets forth a breakdown of the Group's revenue for the Year:

	2013		2012		Decline in
		% of total		*% of total*	revenues
	RMB'000	***revenues***	*RMB'000*	*revenues*	*(%)*
Revenue					
Sweet wines	**119,911**	**68.1%**	443,998	67.5%	270.3%
Dry wines	**56,085**	**31.9%**	214,113	32.5%	73.8%
Total	**175,996**	**100.0%**	658,111	100.0%	

Revenue derived from the sale 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 sets forth the number of units sold and the average selling prices of the Group's products for the Year:

	2013		2012	
	Total units sold	**Average[1] selling price**	Total units sold	Average[1] selling price
		RMB'000		*RMB'000*
	tonnes	***per tonne***	*tonnes*	*per tonne*
Revenue				
Sweet wines	**7,950**	**15.1**	14,143	31.4
Dry wines	**2,513**	**22.3**	7,551	28.4
Total	**10,463**	**16.8**	21,694	30.3

During the Year, 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 decreased due to poor market condition in the grape wine industry, and less high gross profit margin products were sold, which are generally products with higher selling prices.

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

Cost of sales

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials				
– Grapes and grape juice	**147,600**	**55.5%**	134,661	41.2%
– Yeast and other additives	**6,970**	**2.6%**	11,310	3.4%
– Packaging materials	**70,542**	**26.5%**	90,420	27.7%
– Others	**758**	**0.3%**	848	0.3%
Total raw material cost	**225,870**	**84.9%**	237,239	72.6%
Production overheads	**13,691**	**5.1%**	13,595	4.2%
Consumption tax and other taxes	**26,582**	**10.0%**	76,066	23.2%
Total cost of sales	**266,143**	**100.0%**	326,900	100.0%

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. During the Year, the cost of grapes and grape juice were the key component of cost of sales and accounted for approximately 55.5% of the Group's total cost of sales.

During the Chinese Lunar New Year in 2013, the sales of grape wine products (especially the high-end products) were not as robust as expected. This created pressure on distributors and the distributors requested to reduce selling prices of grape wine products to lower their inventory level. In order to stabilise the market, maintain stable product prices and prevent distributors from price-cutting activities and maintain a long-term relationship with the distributors, the Group had decisively taken an one-time inventory buy-back of certain grape wine products from the distributors in the first half of 2013. Provision of grape wine product buy-back of approximately RMB138.4 million was included in the cost of sales for the Year.

The percentage of the total raw material cost to total cost of sales increased approximately 12.3% from approximately 72.6% to approximately 84.9% primarily due to the reasons stated above.

Production overheads primarily consist 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. The percentage of production overheads to total cost of sales remained stable compared with last year.

The consumption tax and other taxes decreased approximately 13.2% from approximately 23.2% to approximately 10.0%, which was mainly attributable to the decline in revenue due to poor market condition in the grape wine industry.

Gross (loss) profit and gross (loss) profit margin

Gross (loss) profit is calculated based on the Group's revenue less cost of sales. During the Year, the gross loss of the Group was approximately RMB90.1 million as compared with the gross profit of approximately RMB331.2 million for last year.

Our average gross loss margin was approximately 51.2% as compared with the gross profit margin of approximately 50.3% for last year.

Reasons for recorded in gross loss and gross loss margin are explained in the above paragraphs headed "Revenue" and "Cost of Sales".

Selling and distribution expenses

Selling and distribution expenses mainly comprise 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 to approximately 238.7 million from approximately RMB146.5 million for the year. The increase was primarily attributable to (i) incurred rebate expenses (based on 5% of the revenue) from April 2013 for enhancing more existing and new distributors cooperation to further develop the existing distribution networks and explore new markets; and (ii) an increase in advertising and promotional charges to approximately RMB215.0 million for the Year from approximately RMB102.7 million last year as we continue to engage in brand building activities, such as mass media advertising. The Group will ensure that its promotion strategy is responsive to market dynamics and competition.

Administrative expenses

Administrative expenses mainly comprise 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 2013, administrative expenses increased to approximately RMB53.7 million from approximately RMB50.8 million for the Year. The increase was mainly attributable to the increase in research and development expenses and additional depreciation incurred when the construction of the Tontine Wine Estate and Tontine Wine Cellar were completed during the Year.

Impairment on property, plant and equipment

During the Year, the economic benefits derived from the grape wine production contracted. As a result, we performed impairment tests for the property, plant and equipment related to the grape wine business. The impairment were determined by comparing the discounted present value of future net cash expected to be derived from the continuous operation of the property, plant and equipment related to the grape wine business with their net book value. Accordingly, impairment of approximately RMB158.7 million (2012: nil) have been recognised during the Year.

Income tax (credit) charge

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 People'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. The Company had an income tax credit of approximately RMB25.1 million for the Year as compared to income tax charge of approximately RMB52.8 million for last year. This was due to the reversal of deferred tax on undistributed earnings of the PRC subsidiary in previous years.

(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company

Taking into account of the aforementioned, the loss and total comprehensive expense attributable to owners of the Company for the Year amounted to approximately RMB90.1 million, as compared to a profit and total comprehensive income attributable to owners of the Company of approximately RMB88.9 million for last year.

Trade receivables analysis

We grant a credit period of 90 days for our distributors except for new customers which payment is made when goods are delivered.

As at 31 December 2013, the trade receivables were approximately RMB59.1 million (2012: RMB78.1 million) and average trade receivables turnover days were approximately 142 days (2012: 63 days). The average trade receivables turnover days increased in 2013 primarily due to our granting of credit periods to new customers who purchasing our products in the fourth quarter of the Year.

Trade payables analysis

The credit period on purchase of raw materials ranges from two to three months.

As at 31 December 2013, the trade payables were approximately RMB13.1 million (2012: RMB7.9 million) and average trade payables turnover days were approximately 16 days (2012: 24 days) which were in line with the credit periods granted to the Group.

Inventories analysis

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

As at 31 December 2013, the inventories were approximately RMB258.5 million (2012: RMB255.4 million) and the average inventory turnover days were approximately 391 days (2012: 330 days). The longer inventory turnover period during the Year was primarily the result of the increase of the cost of grapes and grape juice during the Year and stocking up of unprocessed wines for the preparation of the production of "Wine Cellar Wine" and "Estate Bottled Wine" in anticipation of the completion of the Tontine Wine Cellar and the Tontine Wine Estate in 2013.

Financial management and treasury policy

The Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). Accordingly, there has been no significant exposure to foreign exchange fluctuation.

The net proceeds derived from the fund raising activities of the Company that were not already used for the intended purposes have been placed on short term deposit in Hong Kong and in the PRC. 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 RMB. 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 legislation, market conditions, industry practice and assessment of the performance of the Group and individual employees.

As at 31 December 2013, the Group employed a work force of 392 (including Directors) in Hong Kong and in the PRC (2012: 425). The total salaries and related costs (including the Directors' fee) for the year ended 31 December 2013 amounted to approximately RMB22.0 million (2012: RMB38.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

Our working capital was healthy and positive for the financial years 2012 and 2013 and we generally financed our operation with internal cash flows generated from operations for the past years.

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately RMB530.9 million. It has sufficient financial resources and a strong cash position for satisfying the working capital requirements of business development, operations and capital expenditures.

CAPITAL COMMITMENTS AND CHARGES ON ASSETS

The Group made capital expenditure commitments including approximately RMB78.2 million that was authorised but not contracted for and approximately RMB54.6 million contracted but not provided for in the consolidated financial statements as at 31 December 2013. 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 cash generated from operating activities.

As at 31 December 2013, none of the Group's assets was pledged (2012: nil).

DIVIDEND

The Directors do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 May 2014 to 15 May 2014 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company to be held on 15 May 2014. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 12 May 2014.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for directors' securities transactions. 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 Year.

CORPORATE GOVERNANCE

Throughout the Year, the Company had applied the principles and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, save for the deviation from Code Provision A.2.1, which states that the responsibilities between the chairman and the chief executive officer ("CEO") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Wang Guangyuan currently performs these two roles. Mr. Wang is responsible for the overall business strategy and development and management of the Group. The Board consider that Mr. Wang, by serving as the chairman of the Board and the CEO of the Company, is able to lead the Board in major business decision making for the Group and enables the Board's decisions to be effectively made, which is beneficial to the management and the development of the Group's business. Therefore, Mr. Wang assumes the dual roles of being the chairman of the Board and CEO of the Company notwithstanding the aforementioned 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.

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.hk). The annual report for the year ended 31 December 2013 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 gratitude to our management and all our staff for their continuous efforts and whole-hearted devotion. We are also truly grateful to our shareholders, investors, business partners and customers for their enormous support and trust.

By order of the Board
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 24 March 2014

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.