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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 1.2% to approximately RMB139.1 million (2014: RMB140.8 million).
- Gross profit increased by approximately 201.2% to approximately RMB51.3 million (2014: RMB17.0 million).
- Profit and total comprehensive income for the period attributable to owners of the Company was approximately RMB9.0 million as compared with the loss and total comprehensive expense attributable to owners of the Company of approximately RMB131.8 million for the same period of last year.
- Basic earnings per share was approximately RMB0.4 cents as compared with a basic loss per share of approximately RMB6.5 cents for the same period last year.

The board (the "Board") of directors (the "Directors") of China Tontine Wines Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 (the "Period"), together with the comparative figures for the six months ended 30 June 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(unaudited)	(unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**139,080**	140,801
Cost of sales		**(87,757)**	(123,764)
Gross profit		**51,323**	17,037
Bank interest income		**381**	3,298
Selling and distribution expenses		**(21,052)**	(106,771)
Administrative expenses		**(19,340)**	(51,444)
Change in fair value of biological assets		**–**	309
Profit (loss) before tax	*6*	**11,312**	(137,571)
Income tax credit	*7*	**–**	926
Profit (loss) and total comprehensive income (expense) for the period		**11,312**	(136,645)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**9,005**	(131,754)
Non-controlling interests		**2,307**	(4,891)
		11,312	(136,645)
Earnings (losses) per share	*8*		
Basic *(RMB cents)*		**0.4**	(6.5)
Diluted *(RMB cents)*		**0.4**	(6.5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	Notes	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Non-current Assets			
Property, plant and equipment	*10*	**134,261**	139,896
Prepaid lease payments		**58,224**	59,586
Deposits paid for acquisition of property, plant and equipment		**7,343**	7,343
Biological assets	*11*	**8,911**	7,470
		208,739	214,295
Current Assets			
Inventories		**298,659**	315,185
Trade receivables	*12*	**34,129**	97,115
Deposits and other receivables		**12,863**	12,076
Tax recoverable		**5,551**	5,551
Prepaid lease payments		**2,723**	2,723
Bank balances and cash		**245,007**	172,613
		598,932	605,263
Current Liabilities			
Trade payables	*13*	**8,476**	19,317
Other payables and accruals		**21,656**	34,014
Tax liabilities		**9,988**	9,988
		40,120	63,319
Net Current Assets		**558,812**	541,944
Total Assets Less Current Liabilities		**767,551**	756,239
Capital and Reserves			
Share capital		**17,624**	17,624
Reserves		**680,115**	671,110
Equity Attributable to owners of the Company		**697,739**	688,734
Non-controlling interests		**69,812**	67,505
Total Equity		**767,551**	756,239

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000* *(Note)*	Statutory reserves *RMB'000*	Share option reserve *RMB'000*	(Accumulated losses) retained profits *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total *RMB'000*
At 1 January 2015 (audited)	**17,624**	**910,541**	**86,360**	**130,634**	**8,259**	**(464,684)**	**688,734**	**67,505**	**756,239**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**9,005**	**9,005**	**2,307**	**11,312**
At 30 June 2015 (unaudited)	**17,624**	**910,541**	**86,360**	**130,634**	**8,259**	**(455,679)**	**697,739**	**69,812**	**767,551**
At 1 January 2014 (audited)	17,624	910,541	86,360	130,634	8,259	194,284	1,347,702	149,394	1,497,096
Loss and total comprehensive expense for the period	–	–	–	–	–	(131,754)	(131,754)	(4,891)	(136,645)
At 30 June 2014 (unaudited)	17,624	910,541	86,360	130,634	8,259	62,530	1,215,948	144,503	1,360,451

Note: 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 the corporate reorganisation to rationalise the Group's structure prior to listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Cash generated from (used in) operations	**70,589**	(36,526)
Income tax paid	**–**	(2,769)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**70,589**	(39,295)
INVESTING ACTIVITIES		
Interest received	**381**	3,298
Proceeds from disposal of property, plant and equipment	**1,424**	–
Purchase of property, plant and equipment	**–**	(31,527)
Deposits paid for acquisition of property, plant and equipment	**–**	(3,920)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,805**	(32,149)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,394**	(71,444)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**172,613**	530,920
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	**245,007**	459,476

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the interim report.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condense consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The directors of the Company considered the application of the above new or revised amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE

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

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	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 six months ended 30 June 2015 (unaudited)						
Segment revenue from external customers	**23,011**	**28,683**	**39,617**	**22,978**	**24,791**	**139,080**
Segment profit	**5,746**	**8,124**	**10,175**	**5,344**	**5,498**	**34,887**
For the six months ended 30 June 2014 (unaudited)						
Segment revenue from external customers	16,490	29,316	45,204	22,256	27,535	140,801
Segment loss	(7,253)	(11,648)	(16,568)	(9,917)	(12,007)	(57,393)

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.

	Six months ended 30 June	
	2015 (unaudited) *RMB'000*	2014 (unaudited) *RMB'000*
Profit (loss)		
Total segment profit (loss)	**34,887**	(57,393)
Unallocated amounts:		
Bank interest income	**381**	3,298
Other corporate expenses	**(23,956)**	(83,476)
Consolidated profit (loss) before tax	**11,312**	(137,571)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	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*
As at 30 June 2015 (unaudited)						
Segment assets	**4,138**	**7,102**	**10,250**	**7,056**	**5,583**	**34,129**
Segment liabilities	**758**	**867**	**1,198**	**728**	**774**	**4,325**
As at 31 December 2014 (audited)						
Segment assets	15,153	22,947	27,397	13,840	19,653	98,990
Segment liabilities	1,778	2,884	4,116	2,029	2,561	13,368

	At 30 June 2015 (unaudited) ***RMB'000***	At 31 December 2014 (audited) *RMB'000*
Assets		
Total segment assets	**34,129**	98,990
Other unallocated amounts		
Property, plant and equipment	**134,261**	139,896
Prepaid lease payments	**60,947**	62,309
Deposits paid for acquisition of property, plant and equipment	**7,343**	7,343
Biological assets	**8,911**	7,470
Inventories	**298,659**	315,185
Deposits and other receivables	**12,863**	10,201
Tax recoverable	**5,551**	5,551
Bank balances and cash	**245,007**	172,613
Consolidated total assets	**807,671**	819,558

	At 30 June 2015 (unaudited) ***RMB'000***	At 31 December 2014 (audited) *RMB'000*
Liabilities		
Total segment liabilities	**4,325**	13,368
Other unallocated amounts		
Trade payables	**8,476**	19,317
Other payables and accruals	**17,331**	20,646
Tax liabilities	**9,988**	9,988
Consolidated total liabilities	**40,120**	63,319

6. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit (loss) before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**70,168**	105,634
Depreciation of property, plant and equipment	**4,211**	22,459
Amortisation of intangible assets	**–**	1,812
Amortisation of prepaid lease payments	**1,362**	1,512
Less: amounts included in biological assets	**(893)**	(893)
	469	619
Net foreign exchange loss (gain)	**6**	(77)

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
The credit comprises:		
PRC Enterprise Income tax ("EIT")		
Over provision in prior year	**–**	460
Deferred tax credit	**–**	466
	–	926

8. EARNINGS (LOSSES) PER SHARE

The calculation of basic and diluted earnings (losses) share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings (losses)		
Profit (loss) for the period attributable to owners of the Company and earnings (losses) for the purposes of calculating the basic and diluted earnings (losses) per share	**9,005**	(131,754)

	At 30 June 2015 & 2014 (unaudited) *Number of shares*
Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (losses) per share	2,013,018,000

For the six months ended 30 June 2015, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise prices of the options were higher than the average market price per share during the Period.

9. DIVIDENDS

No dividends were declared and distributed during the six months period ended 30 June 2015 (2014: nil). The directors of the Company have determined that no dividend will be paid in respect of the Period.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, no addition (2014: RMB32,549,000) in property, plant and equipment, disposal of RMB1,424,000 (2014: nil) and depreciation of RMB4,211,000 (2014: RMB22,459,000) were made by the Group respectively.

11. BIOLOGICAL ASSETS

The Group is primarily engaged in manufacturing and sale of grape wine products. The biological assets represent grapevines located in the PRC which can produce grapes and grape juice is then produced from grapes after further processing. Movements of biological assets are summarised as follows during the Period:

	Vines *RMB'000*
At 1 January 2015 (audited)	7,470
Increase due to cultivation (planting and other capitalised costs)	1,441
At 30 June 2015 (unaudited)	8,911

	Vines *RMB'000*
At 1 January 2014 (audited)	5,750
Increase due to cultivation (planting and other capitalised costs)	1,441
Change in fair value of biological assets	309
At 30 June 2014 (unaudited)	7,500

No significant agricultural produces were harvested for both periods.

The directors of the Company consider that no material change in fair value of the biological assets is expected for the period ended 30 June 2015. The increase in fair value is due to the capitalisation of costs of cultivation amounting to RMB1,441,000 (2014: RMB1,441,000) during the Period.

12. TRADE RECEIVABLES

The Group allows a credit period of 90 days to its trade customers except for such new customers 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, which approximated the respective revenue recognition dates.

	At 30 June 2015 (unaudited) ***RMB'000***	At 31 December 2014 (audited) *RMB'000*
0 – 30 days	**12,966**	50,340
31 – 60 days	**10,574**	27,631
61 – 90 days	**10,589**	19,144
	34,129	97,115

13. TRADE PAYABLES

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

	At 30 June 2015 (unaudited) ***RMB'000***	At 31 December 2014 (audited) *RMB'000*
0 – 30 days	**1,488**	5,347
31 – 60 days	**3,653**	4,399
61 – 90 days	**3,335**	9,571
	8,476	19,317

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's revenue for the Period amounted to approximately RMB139.1 million (2014: RMB140.8 million), representing a decrease of approximately 1.2% as compared with the same period last year and the Group's profit and total comprehensive income for the period attributable to owners of the Company was approximately RMB9.0 million as compared with the loss and total comprehensive expense attributable to owners of the Company of approximately RMB131.8 million for the same period of last year.

The Company's basic earnings per share for the Period was approximately RMB0.4 cents as compared with a basic loss per share of approximately RMB6.5 cents for the same period of last year.

BUSINESS REVIEW

With the exception of the US, the global economy has stayed lackluster in 2015. The mainland market has also been under severe stress and as a result the general economic growth in China slowed down.

During the Period, the grape wine industry was still continuing to adjust. However, the grape wine sector and grape wine market had both displayed positive trends and stable development. In respect of the distribution sector, inventory of the distributors was restored to a reasonable level after active destocking in the industry. The order of grape wine distribution industry was gradually restored. In respect of the grape wine market, the mass and commercial consumptions had replaced the government consumption. As a result, the consumption pattern, demand structure and pricing mechanism of China's grape wine market had become more rational. During the Period, the retail prices and sales volumes of grape wine products remained stable, the operating condition of the industry shows signs of improvement and recovery, and the overall business environment became more stable.

In response to the grape wine market, the Group has focused on implementing and executing its adjustment strategies, which began to achieve positive results. In terms of products, the Group continued to explore new variety and business opportunity in the middle and low-end grape wine products according to the changes in the market demand. In terms of sales channels, while carrying out a full range of channel development in and penetration to the middle and low-end grape wine market, the Group also developed e-commerce as a strategic move to promote the Group's business.

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 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.

Generally, the Group selects distributors to distribute grape wine 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 constantly reviews the performance of the distributors within its sales and distribution network. As at 30 June 2015, the Group's products were sold through 131 distributors in 21 provinces, 3 autonomous regions and 4 municipal cities in the People's Republic of China (the "PRC"). All distributors are independent third parties and are generally engaged in the business of distributing and selling of grape wine products.

The Group enters into a 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.

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

	Six months ended 30 June			
	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
North-East Region *(Note 1)*	**23,011**	**16.6**	16,490	11.7
Northern Region *(Note 2)*	**28,683**	**20.6**	29,316	20.8
Eastern Region *(Note 3)*	**39,617**	**28.5**	45,204	32.1
South-Central Region *(Note 4)*	**22,978**	**16.5**	22,256	15.8
South-West Region *(Note 5)*	**24,791**	**17.8**	27,535	19.6
Total	**139,080**	**100.0**	140,801	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 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 remain the largest contributing region 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 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. During the Period, the Group's grape juice supplies came from the PRC and France and the Group has also imported grape wines from France (e.g. "Cordes"「卡圖磨坊」, "Falyia"「法萊雅」, etc.). To ensure we have reliable and solid supplies of quality grapes, grape juice and imported grape wines to meet the production needs of our business as well as our expanded production capacity, the Group has kept identifying new grape farmers, grape juice and imported grape wine suppliers, who meet our quality requirements and thorough tests are conducted on the grapes, grape juice and imported grape wines they produce. These procedures ensure we procure quality grape farmers, grape juice and imported grape wine suppliers.

Business outlook

In 2015, Mainland China's economic growth was still within a reasonable range. With the rising proportion of household income, the consumption power and living standards of Chinese citizens will continue to improve, which will result in continuous growth in market demand of grape wine. At the same time, the mass market consumption will further be enhanced, stimulating the market demand for the middle and low-end grape wine products. These will not only bring new growth opportunities for the long-term sustainable development of the grape wine industry, but also provide the Group with potential market opportunities and room for development.

To ensure the sustainable development of the business, the Group will continue its development in optimizing its product portfolio. The Group will seize the opportunities to increase efforts on promotion and recruiting distributors of the new middle and low-end products. In respect of channel development, the Group will further expand and establish its traditional distribution network and focus on the development strategy of new middle and low-end products. In addition, the Group will enhance its development of e-commerce channels by exploring more online shopping platforms and e-commerce sales platforms in order to diversify its sales channels and attract more potential customers. Such measures are expected to help increase the efficiency and efficacy of the Group's market penetration, enhance the overall market share of the Group and create better returns for the Shareholders.

FINANCIAL REVIEW

Revenue

Revenue represents proceeds from the sale of grape wine and other wine products. Our revenue decreased by approximately 1.2% to approximately RMB139.1 million for the six months ended 30 June 2015 from approximately RMB140.8 million over the same period last year. Our customers mainly comprised regional distributors in the PRC and we sold our products to our distributors at prices ranging from approximately RMB5.1 to RMB324.8 per bottle. The following table sets forth a breakdown of the Group's revenue for the Period:

	Six months ended 30 June				Growth
	2015		2014		(Decline) in
		% of total		% of total	revenues
	RMB'000	**revenues**	*RMB'000*	revenues	*(%)*
Sweet wines	**79,468**	**57.1**	78,775	55.9	0.9%
Dry wines	**55,932**	**40.2**	59,825	42.5	(6.5%)
Others[1]	**3,680**	**2.7**	2,201	1.6	67.2%
Total	**139,080**	**100.0**	140,801	100.0	

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

	Six months ended 30 June			
	2015		2014	
	Total units sold	**Average[2] selling price**	Total units sold	Average[2] selling price
		RMB'000		*RMB'000*
	tonnes	***per tonne***	*tonnes*	*per tonne*
Sweet wines	**5,033**	**15.8**	5,085	19.5
Dry wines	**2,394**	**23.4**	2,462	24.3
Others[1]	**216**	**17.0**	159	13.8
Total	**7,643**	**18.2**	7,706	18.3

The decline in average selling price of sweet and dry wines was mainly due to the Group actively adjusted the product structure to the middle and low end grape wine market according to the market changes in mainland China.

The revenue and average selling price of others increase was mainly due to introducing the new product Yaluobui Grape – Bouguet white wine "雅羅白•葡香型白酒".

1 *Others include brandy and other wine products.*

2 *Weighted average selling prices of sweet, dry or other wine products (as applicable) take into account the actual sales volume of each wine product.*

Cost of sales

	Six months ended 30 June			
	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials				
– Grapes and grape juice	**33,698**	**38.4**	44,071	35.6
– Yeast and other additives	**2,902**	**3.3**	4,113	3.3
– Packaging materials	**28,536**	**32.5**	39,681	32.1
– Others	**305**	**0.4**	461	0.4
Total raw material cost	**65,441**	**74.6**	88,326	71.4
Production overheads	**4,727**	**5.4**	17,308	14.0
Consumption tax and other taxes	**17,589**	**20.0**	18,130	14.6
Total cost of sales	**87,757**	**100.0**	123,764	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 Period, the cost of grapes and grape juice were the key component of cost of sales and accounted for approximately 38.4% of the Group's total cost of sales, representing an increase of 2.8% from approximately 35.6% last year, due to the increase in average cost of grapes and grape juice.

The percentage of the cost of packing materials to total cost of sales was relatively stable during the Period as compared with 2014.

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 decreased from approximately 14.0% to approximately 5.4% was primarily attributable to decrease in depreciation because impairment on tangible and intangible assets of approximately RMB523.1 million has been recognised last year.

The percentage of the total cost of raw material to total cost of sales increased from approximately 71.4% to approximately 74.6% primarily attributable to the change of cost of sales structure due to the reasons stated above.

Gross profit and gross profit margin

Gross profit is calculated based on the Group's revenue less cost of sales. During the Period, the gross profit of the Group increased approximately 201.2% from approximately RMB17.0 million to approximately RMB51.3 million.

Our average gross profit margin increased approximately 24.8% from approximately 12.1% to approximately 36.9%.

Reasons for increase in gross profit and gross profit 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 Period, the selling and distribution expenses accounted for approximately 15.1% (2014: 75.8%) of the Group's revenue. The decrease was primarily attributable to a decrease in advertising and promotional charges of approximately 89.8% to approximately RMB8.6 million (2014: RMB84.0 million) 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, foreign exchange loss and other incidental administrative expenses.

During the Period, administrative expenses decreased to approximately RMB19.3 million from RMB51.4 million last year. The decrease was mainly attributable to (i) reduction in research and development expenses and (ii) decrease in depreciation incurred.

Income tax expense

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 subsidiaries of the Company incorporated in the PRC had changed to 25% with effect from 1 January 2008. For the six months ended 30 June 2015, the effective tax rate of the Group is nil (2014: nil) due to the set-off of the accumulated tax losses of the PRC companies in prior years.

Profit (Loss) and total comprehensive income (expense) for the period attributable to owners of the Company

Taking into account of the aforementioned, the profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB9.0 million, as compared to a loss and total comprehensive expense attributable to owners of the Company of approximately RMB131.8 million for the same period of last year.

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 Company pays dividends in Hong Kong dollars when dividends are declared. The Directors consider that the Group has limited foreign currency exposure because its operations are conducted in the PRC. Sales and purchases are mainly denominated in RMB. In view of the minimal foreign currency exchange risk, the Directors 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, the Group is in a net cash position and is thus exposed to minimal financial risk on interest rate fluctuation.

Liquidity and financial resources

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

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB245.0 million. The Group has sufficient financial resources and a strong cash position for satisfying working capital requirements of business development, operations and capital expenditures.

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 30 June 2015, the Group employed a work force of 569 (including Directors) in Hong Kong and in the PRC (31 December 2014: 584). The total salaries and related costs (including the Directors' fee) for the Period amounted to approximately RMB13.6 million (2014: RMB14.0 million).

Share option scheme

A share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company on 19 November 2009. The Share Option Scheme is to provide incentive for selected participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole and to retain and attract persons whose contributions are or may be beneficial to the growth and development of the Group.

Details of the Share Option Scheme were set out in the prospectus of the Company dated 5 November 2009 in connection with the initial public offering of its shares by way of placing and public offer on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The maximum number of shares in the Company which may be granted under the Share Option Scheme must not exceed 165,584,000 shares (the "**Scheme Mandate Limit**"), representing 10% of the Company's issued share capital as at 19 November 2009 (being the date on which the Company's shares were first listed on the Stock Exchange).

As at 31 December 2014, 26 March 2015 (being the date of the annual report of the Company for the year ended 31 December 2014) and 30 June 2015:

– the total number of shares available for issue by the Company under the Scheme Mandate Limit was 109,584,000 shares, representing approximately 5.44% of the then issued share capital of the Company (that is, 2,013,018,000 Shares) as at such dates.

– there were outstanding options attaching subscription rights to subscribe for an aggregate of 56,000,000 shares (representing approximately 2.78% of the then and existing issued share capital of the Company (that is, 2,013,018,000 Shares).

During the Period, the movements in the Company's share options granted under the Share Option Scheme are as follows:

		Number of share options								
Grantee	Date of grant	Outstanding as at 1 January 2015	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2015	Vesting period	Exercisable period	Exercise price per share *HK$*	Market value per share at date of grant of options *HK$*
Employees	18 May 2012	56,000,000	–	–	–	56,000,000	–	18 May 2012 to 17 May 2017	0.71	0.70

Capital commitments and charges on assets

The Group made capital expenditure commitments including approximately RMB75.1 million that was authorised but not contracted for and approximately RMB26.2 million contracted but not provided for in the condensed consolidated financial statements as at 30 June 2015. These commitments were required mainly to support the Group's production capacity expansion.

As at 30 June 2015, none of the Group's assets was pledged (2014: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: nil).

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 Period.

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 of conduct for directors' securities transactions. All Directors, after specific enquiries by the Company, confirmed their compliance with the required standards set out in the Model Code throughout the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company had applied the principles in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and complied with the code provisions and certain recommended best practices set out in the CG Code, save for the deviation from code provision A.2.1 of the CG Code, which states that the roles of chairman and the chief executive officer ("CEO") should be segregated and should not be performed by the same individual. Mr. Wang Guangyuan ("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 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 decision 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 the CEO of the Company notwithstanding the deviation.

AUDIT COMMITTEE REVIEW

The interim results for the Period are unaudited. The audit committee of the Company (comprised all the independent non-executive Directors) had 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 unaudited condensed consolidated interim financial statements for the Period.

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

This interim 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 interim report for the six months ended 30 June 2015 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 in the past years.

By order of the Board
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 31 August 2015

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.