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 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 2.6% to approximately RMB293.7 million (2014: approximately RMB286.3 million).
- Gross profit gained by approximately 284.0% to RMB95.8 million (2014: approximately RMB24.9 million).
- Profit and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB6.9 million as compared with loss and total comprehensive expense attributable to owners of the Company of RMB659.0 million for last year.
- Basic earnings per share was RMB0.34 cent as compared with losses per share of RMB32.7 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 and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 (the "Year"), prepared on the basis set out in Note 2.1, together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**293,689**	286,320
Cost of sales		**(197,905)**	(261,378)
Gross profit		**95,784**	24,942
Other income	*5*	**847**	4,785
Selling and distribution expenses		**(41,910)**	(192,331)
Administrative expenses		**(41,089)**	(76,482)
Impairment of property, plant and equipment		**–**	(478,407)
Impairment of prepaid lease payments		**–**	(22,560)
Impairment of intangible assets		**–**	(22,157)
Change in fair value of biological assets		**(201)**	(1,274)
Profit (loss) before tax		**13,431**	(763,484)
Income tax credit	*6*	**–**	22,627
Profit (loss) and total comprehensive income (expense) for the year	*7*	**13,431**	(740,857)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**6,850**	(658,968)
Non-controlling interests		**6,581**	(81,889)
		13,431	(740,857)
Earnings (losses) per share	*9*		
Basic (RMB cents)		**0.34**	(32.7)
Diluted (RMB cents)		**0.34**	(32.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current Assets			
Property, plant and equipment		**130,686**	139,896
Prepaid lease payments		**56,862**	59,586
Deposits paid for acquisition of property, plant and equipment		**7,343**	7,343
Biological assets		**7,620**	7,470
		202,511	214,295
Current Assets			
Inventories		**312,719**	315,185
Trade receivables	10	**84,702**	97,115
Deposits and other receivables		**12,153**	12,076
Tax recoverable		**5,551**	5,551
Prepaid lease payments		**2,723**	2,723
Bank balances and cash		**201,942**	172,613
		619,790	605,263
Current Liabilities			
Trade payables	11	**9,307**	19,317
Other payables and accruals		**33,363**	34,014
Tax liabilities		**9,961**	9,988
		52,631	63,319
Net Current Assets		**567,159**	541,944
Total Assets less Current Liabilities		**769,670**	756,239
Capital and Reserves			
Share capital		**17,624**	17,624
Reserves		**677,960**	671,110
Equity attributable to owners of the Company		**695,584**	688,734
Non-controlling interests		**74,086**	67,505
Total Equity		**769,670**	756,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("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 of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are manufacturing and sale of grape wine products.

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 Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after a date to be determined

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS *18 Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 ***Agriculture: Bearer Plants***

The amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company are under the process of the assessment on the impact of the adoption of the amendments to the Group's consolidated financial statements. The Group will adopt the amendment for the reporting period ending 31 December 2016.

Except as mentioned above, the directors of the Company do not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except for the biological assets that are measured at fair value less costs to sell at the end of each reporting period, as explained below.

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 purposes 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 *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, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of assets*.

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 *Operating Segments* are identified based on different geographical zones of goods delivered in the People's Republic of China ("PRC"): North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

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

- Northern Region includes provinces of Gansu, Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.

- Eastern Region includes provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang, and city of Shanghai.

- South-Central Region includes provinces of Guangdong, Hainan, Henan, Hubei and Hunan.
- South-West Region includes 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 revenue from external customers and non-current assets are attributed to and located in the PRC.

Information about reportable and operating segment revenue, profit (loss), 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 2015						
Segment revenue from external customers	**45,401**	**60,027**	**83,444**	**48,950**	**55,867**	**293,689**
Segment profit	**4,151**	**14,151**	**19,265**	**10,934**	**7,924**	**56,425**
For the year ended 31 December 2014						
Segment revenue from external customers	38,056	61,772	88,169	43,459	54,864	286,320
Segment loss	(19,325)	(27,001)	(39,188)	(22,588)	(31,573)	(139,675)
As at 31 December 2015						
Segment assets	**9,948**	**18,948**	**26,387**	**12,818**	**16,601**	**84,702**
Segment liabilities	**2,007**	**2,653**	**3,688**	**2,164**	**2,469**	**12,981**
As at 31 December 2014						
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

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

	2015	2014
	RMB'000	*RMB'000*
Total segment profit (loss)	**56,425**	(139,675)
Unallocated amounts:		
Other corporate income	**847**	4,785
Other corporate expenses	**(43,841)**	(628,594)
Consolidated profit (loss) before tax	**13,431**	(763,484)

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

	2015	2014
	RMB'000	*RMB'000*
Assets		
Total segment assets	**84,702**	98,990
Other unallocated amounts		
Property, plant and equipment	**130,686**	139,896
Prepaid lease payments	**59,585**	62,309
Deposits paid for acquisition of property, plant and equipment	**7,343**	7,343
Biological assets	**7,620**	7,470
Inventories	**312,719**	315,185
Deposits and other receivables	**12,153**	10,201
Tax recoverable	**5,551**	5,551
Bank balances and cash	**201,942**	172,613
Consolidated total assets	**822,301**	819,558

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

	2015	2014
	RMB'000	*RMB'000*
Liabilities		
Total segment liabilities	**12,981**	13,368
Other unallocated amounts		
Trade payables	**9,307**	19,317
Other payables and accruals	**20,382**	20,646
Tax liabilities	**9,961**	9,988
Consolidated total liabilities	**52,631**	63,319

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

5. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Bank interest income	**793**	4,574
Net foreign exchange gain	**54**	139
Gain on disposal of property, plant and equipment	**–**	72
	847	4,785

6. INCOME TAX CREDIT

	2015	2014
	RMB'000	*RMB'000*
The credit comprises:		
PRC Enterprise Income Tax ("EIT") in prior year	**–**	388
Deferred tax	**–**	(23,015)
	–	(22,627)

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 EIT was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries operated in the PRC.

7. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,592**	1,441
Cost of inventories recognised as an expense	**157,988**	220,846
Depreciation of property, plant and equipment	**10,595**	25,350
Amortisation of intangible assets	**–**	3,624
Amortisation of prepaid lease payments	**2,724**	3,018
Less: amounts included in biological assets	**(1,786)**	(1,786)
	938	1,232
Research and development costs recognised as an expense (included in administrative expenses)	**–**	8,300
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**16,740**	18,954
– sales commission	**6,815**	6,797
– retirement benefits schemes contributions	**4,302**	4,132
	27,857	29,883
Write off of inventories (included in cost of sales)	**1,743**	1,038
Advertising and promotion expenses (included in selling and distribution expenses)	**14,001**	153,959

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS (LOSSES) PER SHARE

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

	2015	2014
	RMB'000	*RMB'000*
Earnings (losses) for the year attributable to owners of the Company and earnings (losses) for the purposes of calculating the basic and diluted earnings (losses) per share	**6,850**	(658,968)

	2015 & 2014
	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 year ended 31 December 2015 and 2014, the computation of diluted earnings (losses) per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in earnings (losses) per share.

10. TRADE RECEIVABLES

The Group allows a credit period of 90 days to its trade customers except for the 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.

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**42,484**	50,340
31 – 60 days	**22,001**	27,631
61 – 90 days	**20,217**	19,144
	84,702	97,115

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.

11. TRADE PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**3,706**	5,347
31 – 60 days	**4,221**	4,399
61 – 90 days	**1,380**	9,571
	9,307	19,317

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

INDUSTRY OVERVIEW

In 2015, the growth rate of China's GDP further slowed down to approximately 6.9%, which was the lowest growth rate in the last 25 years. The fact that growth in Chinese economy becomes moderate also directs the domestic consumption behavior to be more rational. The retail sales of consumer goods in real terms in 2015 increased by approximately 10.7% year-on-year. This growth rate was basically equal to that in 2014. Influenced by the Central Government's call on anti-corruption and different anti-corruption measures being in place and the subsisting low domestic consumption on luxury goods, the red wine industry has also been affected. The mode of consumption of red wine in the past was predominantly for business and commercial purposes and primarily targeted on high-end red wine products with a gradual transition to mid- and low-end products by the general public. Among the imported products, the mid- and low-end products are the majority. Although there is a huge market for mid- and low-end products, the competition in the red wine industry has become fierce because a wide variety of red wine products, both produced domestically or imported from overseas, are offered for the customers to choose from. Although the domestic red wine industry, like other industries, are affected by economic, political factors and other uncertainties, taking into account that the Chinese annual average personal consumption of red wine being far lower than of the world average, the year-on-year increase in the annual per capita disposable income of Chinese urban residents, the general public's pursuit of a higher quality of living, and the domestic red wine industry becoming more and more mature, it is believed that the future prospect of the domestic red wine industry is still promising and has potential for growth.

FINANCIAL REVIEW

During the year ended 31 December 2015, the Group's revenue increased by approximately 2.6% as compared with previous year to approximately RMB293,689,000. The net profit attributable to owners of the Company amounted to approximately RMB6,850,000, compared with a loss of approximately RMB658,968,000 in the previous year, representing a substantial turn-around in earnings performance. Basic earnings per share during the year ended 31 December 2015 was approximately RMB0.34 cent (2014: losses per share of RMB32.7 cents). Overall gross profit increased by 284.0% year-on-year to approximately RMB95,784,000. The Group's operation performed remarkably well, benefiting primarily from increasing sales through enriching product mix, expanding sales channels and exercising excellent cost control. These control measures included actively reducing selling and distribution expenses and striving for cutting administrative expenses, thus enhancing operation efficiency.

During the year ended 31 December 2015, the Group continued to optimize operations, actively realigned business deployment and product mix. The management strengthened the production and sales of the low-to mid- end wine products to meet the demand from the general public. The Group had focused on improving product quality and widening product range during the year. In addition, the Group continued to launch innovative sales strategies, including packaging customization service for festive season. These new services brought in a revenue of approximately RMB12,590,000 to the Group.

Revenue performance

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB293,689,000 representing an annual growth rate of 2.6%. The Chinese Government continued to implement anti-corruption measures and called on thrift model of consumption. The grape wine consumption shifted to products which match the affordability of the general public. The Group's revenue of sweet wine products increased stably during the year ended 31 December 2015. The Group's high-end dry wine products contracted, including a slight drop in the sales of "Cordes" 「卡圖磨坊」, "Falyia" 「法萊雅」 and other series of high-end products. For other products, sales of brandy recorded an increase, compared with the previous year, but the sales of white wine (including white grape wine) decreased from the previous year, these two product lines accounted for relative low weighting of total revenue.

Cost of sales

The total cost of sales of the Group during the year ended 31 December 2015 decreased sharply by 24.3% year-on-year to RMB197,905,000. This was attributable to a reduction in the costly market promotional activities, thereby trimming production overheads significantly. The production overheads decreased significantly by 63.6% year-on-year to RMB11,488,000. On the other hand, a drop in wine output during the year led to a decrease in the total raw materials cost by 24.0% to RMB148,291,000.

Major raw materials required for producing wine products are grapes, grape juice, yeast and additives and packaging materials, such as bottles, bottle caps, labels, corks, and packaging boxes. During the year ended 31 December 2015, raw materials accounted for approximately 74.9% of the Group's total cost of sales, basically in line with the proportion of the cost of raw materials in the total cost of sales, which was 74.6% in 2014.

Supply of grapes

Production of quality grape wine products is highly dependent upon sufficient supply of quality grapes and grape juice. During the year ended 31 December 2015, the Group had sourced 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. We have entered into a 20 year long-term contract with each of our grape farmer suppliers in order to secure reliable and stable supplies of quality grapes to meet our needs. To enhance the quality management, our vineyard management team supervises the planting, nurturing and harvesting of the grapevines.

During the year ended 31 December 2015, the Group's grape juice supplies came from the PRC and France and the Group had also imported grape wines from France (e.g. "Cordes"「卡圖磨坊」, "Falyia"「法萊雅」, etc.). The Group has kept identifying new grape farmers, grape juice and imported grape wine suppliers, which manage to meet our quality requirements. This approach strengthens the quality and stability of the supply chain, thereby meeting the production needs of our business as well as our expanded production capacity,

We conduct thorough tests on the grapes, grape juice and imported grape wines from suppliers. These procedures ensure that we procure quality grape farmers, grape juice and imported grape wine suppliers.

The following table sets forth the costs required for production of the Group in 2015:

	2015	2014	Change
	(RMB'000)	*(RMB'000)*	
Raw materials			
– Grapes and grape juice	**69,229**	103,864	-33.3%
– Yeast and other additives	**5,892**	9,130	-35.5%
– Packaging materials	**71,724**	81,130	-11.6%
– Others	**1,446**	1,012	+42.9%
Total raw material cost	**148,291**	195,136	-24.0%
Production overheads	**11,488**	31,520	-63.6%
Consumption tax and other taxes	**38,126**	34,722	+9.8%
Total cost of sales	**197,905**	261,378	-24.3%

Gross profit, gross profit margin and earnings before interest, tax, depreciation and amortisation (EBITDA)

During the year ended 31 December 2015, the Group delivered excellent performance in overall gross profit and overall gross profit margin. The gross profit increased strongly by 284.0% year-on-year to approximately RMB95,784,000. The gross profit margin also rose substantially by 23.9 percentage points year-on-year to 32.6%.

Considerable growth in gross profit and gross profit margin mainly benefited from the Group's strict cost control, timely adjustment of marketing strategies in response to market changes, and elimination of most of the expensive product promotional activities. Compared to promotion expenses of approximately RMB65,699,000 in 2014, no such expense was recorded during the year ended 31 December 2015.

The following table sets forth the details of the gross profit and the gross profit margin of the Group during the year ended 31 December 2015 with 2014 comparison:

	2015	2014	Compared with the previous year
Gross profit *(RMB'000)*	**95,784**	24,942	+284.0%
Gross profit margin	**32.6%**	8.7%	+23.9 percentage points

EBITDA, which reflects the Group's cash flow during the year ended 31 December 2015, was RMB24,171,000, compared with a loss of RMB169,474,000 in the previous year. This represented a sharp improvement from the previous year, and provided positive cash inflow to the Group. Such a performance was mainly attributable to a huge drop in advertisement expenditures and research and development ("R&D") expenses. The Group adjusted its advertisement strategies in 2015 by focusing on appropriate market exposure. This led to advertising and promotion expenses declining to approximately RMB14,001,000, which was far lower than approximately RMB153,959,000 recorded in 2014. In addition, the Group also substantially reduced R&D expenses in 2015.

The following table sets forth the details in EBITDA during the year ended 31 December 2015:

	2015	2014	Compared with last year
EBITDA *(RMB'000)*	**24,171**	-169,474	Not Applicable
Rate of EBITDA	**8.2%**	Not Applicable	Not Applicable

Profit attributable to owners of the Company

During the year ended 31 December 2015, the profit attributable to owners of the Company was RMB6,850,000, as compared with a loss of RMB658,968,000 for the same period last year, representing a substantial turnaround in earnings performance. This was mainly attributable to the absence of impairment provision and effective cost saving measures as mentioned above during the year.

OPERATION REVIEW

To consolidate the Group's position in the wine market, the Group adjusted actively its marketing strategies in 2015 to develop sweet wine products to cater for the tastes and consumption preferences of the general public towards sweet wine products.

Sweet wine products with low gross profit margin accounted for 50.4% of the total revenue in 2015. Dry wine accounted for 38.8% of the total revenue. These two product lines accounted for 89.2% of the total revenue in 2015. Revenue from brandy increased by 25.7% year-on-year, but accounted for only 2.4% of total revenue. White wine accounted for 8.4% of total revenue. Both of dry wine and white wine are high-end products with high gross profit margin, but the revenue of these two product lines declined slightly during the year ended 31 December 2015.

During the year ended 31 December 2015, the Group launched 33 new products generating a revenue of approximately RMB11,845,000 and accounting for 4.0% of the total revenue in 2015. The proportion was not high, but it reflected the Group's determination to adopt an innovative business approach. Among these new products, 18 products were from sweet red wine with revenue of RMB7,940,000; 10 products from dry wine with revenue of RMB2,542,000; 5 products from white wine with revenue of RMB1,363,000. The Group has been successful in meeting diverse consumer demand with a wide range of products. The Group undertook to develop customized packaging products for festive season during the year. This innovative marketing approach helped cater for specific needs of different market segments and promote awareness of our brands among the customers.

The following table shows the Group's revenue of various products during the year ended 31 December 2015:

	2015		2014		
	Revenue *(RMB'000)*	**Percentage of total revenue**	Revenue *(RMB'000)*	Percentage of total revenue	Revenue Change %
Sweet wines	**148,028**	**50.4%**	139,636	48.8%	+6.0%
Dry wines	**113,995**	**38.8%**	115,281	40.2%	-1.1%
Brandy	**7,047**	**2.4%**	5,605	2.0%	+25.7%
White wines (including white grape wines)	**24,619**	**8.4%**	25,798	9.0%	-4.6%
Total	**293,689**	**100.0%**	286,320	100.0%	+2.6%

Sales volume and average selling price performance

Due to the dominance of medium to low end products in the market place, the Group adjusted product prices to target at the demand of mainstream customer groups during the year ended 31 December 2015. The Group's total sales volume increased by 4.7% year-on-year to 16,868 tonnes. As a result of a change in product mix, the average price per tonne declined by 2.0% year-on-year to RMB17,411.

The average price per tonne for sweet wine, brandy, white wine (including white grape wine) recorded an increase from the previous year. Among them, average price per tonne for sweet wine, which accounted for the largest weighting in sales volume, increased by 1.0% year-on-year . Average price per tonne for dry wine decreased from the previous year, reflecting that the high-end market had experienced shrinkage, and the demand remained stagnant.

The following table sets forth the Group's volume and average selling price of products sold during the year ended 31 December 2015:

	2015		2014		
	Total sales *(tonne)*	**Average sales price per tonne** ***(RMB'000/ tonne)***	Total sales *(tonne)*	Average sales price per tonne *(RMB'000/ tonne)*	Changes in average sales price per tonne %
Sweet wines	**10,842**	**13.6**	10,326	13.5	+1.0%
Dry wines	**4,808**	**23.7**	4,587	25.1	-5.7%
Brandy	**433**	**16.3**	359	15.6	+4.2%
White wines (including white grape wines)	**785**	**31.4**	839	30.8	+2.0%
Total	**16,868**	**17.4**	16,111	17.8	-2.0%

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.

The Group constantly reviews the performance of these distributors. As at 31 December 2015, the Group's products were sold through 154 distributors (an increase of 19 distributors over 2014) 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.

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.

For online sales, the Group's major partner was Jiuxian Wang (酒仙網) during the year ended 31 December 2015. The proportion of total revenue on online sales was not high in 2015, but the Group considered online sales as a channel of huge potential. The Group established a R&D team for its online platform during the year to explore more possibilities by effectively using e-business model, with an aim to achieving more diversified distribution channel and enlarging marketing coverage.

Production capacity

During the year ended 31 December 2015, the Group's production bases in Tonghua, Jilin and Yantai Baiyanghe, Shandong produced a total of 16,651 tonnes of wine products, which represented a decrease of 17.8% from the same period in the previous year because of industry consolidation and changes of market landscape. Moreover, the Group's optimisation of product portfolio further affected the output mix. The output of the Group's product base in Tonghua, Jilin was 11,581 tonnes, representing a decrease of approximately 29.5% as compared with the same period in the previous year, while the production of Yantai Baiyanghe base increased by 32.7%, reflecting favourable results of a series of restructuring measures upon the Group's acquisition of this base. The sales-output ratio was 98.7% in 2015, reflecting equilibrium in production and sales.

Regional market performance

In terms of regional revenue, the Eastern region and the Northern region are still the major markets of the Group, but revenue from the two regions dropped respectively 5.4% and 2.8% year-on-year, thus causing its weighting to the Group's revenue decreased by 2.4 percentage points to 28.4% and by 1.2 percentage points to 20.4%, respectively. The Eastern region is still the largest market of the Group, with the presence of the largest number of distributors. This region covers several relatively rich provinces in China, and the per capita income level is relatively high. Relative to other alcoholic drinks, wine products have gained higher acceptance in this region. As this region accounted for a relatively high proportion of high-end wine consumption in China, sales suffered from pronounced set back during times of industry consolidation.

In the South-West region, its weighting to the Group's revenue was 19%, down slightly from the 2014 level. The revenue in the South Central region and the North-East region respectively gained a growth of 12.6% and 19.3%, thereby bringing in an increase by 1.5 percentage points to 16.7% and by 2.2 percentage points to 15.5% for its weighting to the Group's revenue respectively in the two regions. It indicated that the sales contributed by each regional market have become balanced.

Business indicator review

Inventory analysis

The inventory of the Group was RMB312,719,000 by the end of the year, and about RMB250,391,000 was derived from work in progress. The inventory at the end of 2014 amounted to RMB315,185,000. The Group deployed the improvement work at the vineyard in the Jilin Province during the year ended 31 December 2015, and various production materials were needed in the plantation for future production. However, due to the decrease of cost of sales during the year ended 31 December 2015, the inventory turnover days on average reached to 717 days, which was a significant increase from the previous year.

Trade account receivables analysis

The Group's trade account receivables turnover days during the year ended 31 December 2015, when comparing to the previous year, increased slightly to 113 days. Due to a slow-down in repayment from business partners and a lack of promotional activities in stimulating distributors' orders, the trade receivables turnover days slightly increased during the year ended 31 December 2015. Nevertheless, the Group recorded no overdue trade account receivables at the end of 2015.

OPERATION ANALYSIS BY PRODUCT

Sweet wines

Sweet wine was the product line with the largest output and sales of the Group during the year ended 31 December 2015. Its sales revenue in 2015 totalled RMB148,028,000, representing an increase of 6.0% compared with the previous year. This was mainly due to abundant demands for popular products. Its gross profit was RMB32,695,000, which was a big turnaround from the gross loss of RMB317,000 in 2014 caused by the two-for-one promotional activities. Sweet wine business accounted for 34.1% of the overall gross profit of the Group in 2015. As this product line was targeted at the popular market, its gross profit margin was relatively low, standing at approximately 22.1%.

During the year ended 31 December 2015, the Group launched 18 types of new sweet wine in total in order to meet the growing market demands for popular products. Among them, "Tongtian Liqueur Mountain Grape Wine" 「通天利口山葡萄酒」 won the "China Wine Market Golden Goat Award 2015"「2015年度中國葡萄酒市場金羊金獎」.

Product diversification is one of the Group's distinctive features. As at 31 December 2015, the Group marketed 46 types of sweet wine in total to satisfy the demands for different consumer segments.

Dry wines

The sales revenue of dry wine amounted to RMB113,995,000 during the year ended 31 December 2015, representing a drop of 1.1% from the previous year, indicating that high-end products were affected by the industry consolidation. The gross profit margin of the dry wine product line increased sharply to 43.6%. This was mainly due to a drop in the cost of sales. Moreover, the gross profit contribution of dry wine increased by nearly 150.0% from the previous year to about RMB49,743,000. Despite an increase in the gross profit of the dry wine product line, its proportion to the overall gross profit dropped from 79.8% in 2014 to 51.9% in 2015 because of a rise in the weighting of sweet wine in the Group.

With the change of market demands, the Group timely adjusted its marketing strategy by broadening the sales channel. Furthermore, the Group suspended costly promotional activities in 2015 with no impact on sales performance. This also aided the increase in the gross profit.

During the year ended 31 December 2015, the Group marketed 89 types of dry wine products in order to satisfy the demands for different consumer segments.

Brandy

During the year ended 31 December 2015, the Group's sales revenue of brandy increased by 25.7% to RMB7,047,000 from the year-ago period, indicating the growing popularity of brandy in the market. This product line contributed gross profit of RMB1,884,000 representing an increase of 223.6% from the same period of previous year. Its gross profit margin reached 26.7%, up 16.3 percentage points from the previous year. However, its proportion to the overall gross profit was approximately 2.0%.

The increase in the gross profit of brandy products was due to an absence of promotional activities notably the "Buy-two-get-one-free" for the product "Xuanniya Brandy" 38°「軒妮雅白蘭地38°」, thus saving the promotion expenses. Furthermore, the sales volume and selling price of the brandy products manufactured by "Yantai Baiyanghe Winery Co., Ltd.*"「烟台白洋河醸酒有限責任公司」 ("Yantai Baiyanghe"), increased during the year ended 31 December 2015, and considerable potential is expected from this product line.

White wines

During the year ended 31 December 2015, the sales revenue of white wine totalled RMB24,619,000, which represented a drop of 4.6% from the previous year; The Group's white wine business contributed RMB11,462,000 of gross profit, representing an increase of 140.2% from the previous year, and the gross profit margin also soared to 46.6%. This was mainly because of the suspension of the relatively costly "Buy-one-get-one-free" promotional activity for "Tongtian Yaaru Wine"「雅羅白」 and the "Buy-two-get-one-free" promotional activity for the other two grape wines, namely, Ice White Grape Wine and Dry White Grape Wine. In 2014, the cost of the promotion was about RMB4,427,000. During the year, white wine products took up 12.0% of the total gross profit, which was lower than in 2014, and accounted for 19.1% of the total gross profit.

The Group's white wine products also gained several awards in the year. "Tongtian Yaaru Wine Spirits 2013"「雅羅白」 won the gold medal in the "Spirits Selection by Concurs Mondial de Bruxelles 2015", and the "Xuanniya Ice White Grape Wine"「軒妮雅冰白葡萄酒」won the "Special Award of DSW China Fine Wine" in "The Second China Fine Wine Challenge 2015".

BUSINESS PROSPECTS

In the short term, the China's red wine market will continue experiencing consolidation and will likely eliminate the weak with the stronger to survive, and the consumption pattern of red wine is also changing. Red wine consumption has turned more popular and common in daily life, and the market is also inclined to consume medium and low price products which suit the preference of the public. The Group adapts to market changes by timely adjustment of its strategies. The Group has been dedicated to developing sweet wine products, optimizing product mix, and broadening its product lines actively to meet with the demands of different market niches. It has also launched products that cater for young consumer's preference.

To meet the needs of different markets and consumers, the Group provided packaging customized services in 2015, thus offering value-added services to customers. The group plans to expand and optimize such services in 2016 with a view of providing high-quality products and innovative personalized services to consumers.

As the young people of in the 1980s and 1990s generations have gradually become the main force of wine consumption, the Group will enlarge product mix, and launch wine products timely in a bid to fit the tastes of young generations and tailor-make for their specific needs.

The Group also plans to develop a branded high end vineyard with wholly owned plantation based in Jilin Tongtian Winery, and produces high and mid-grade products with a fully integrated production all the way from growing grapes to brewing wine. Apart from extending production line, the Groups also expects to deepen brand building and gradually establishes a unique brand in the industry, thus supporting the sustainable development of the Group's business.

White wine products, such as white grape wine and kaoliang spirit, have been favoured by domestic consumers, and the gross profit margins of these products are also higher than other wine products. Therefore, the Group will explore the feasibility of merging other developing white wine enterprises. Moreover, the Group is also considering participating in high quality wine production bases so as to meet with the needs of its continuously expanding product portfolio.

The Group pays great attention to distributors' sales performance record and creditability, and selects distributors in accordance with their sales network, promotion measures, credibility, inventory accumulation and other indicators for performance check. In the meantime, the Group spares no efforts in widening self-developed sales network and platform. In future, the Group will develop vigorously online sales platform, and carry out online shopping platforms with proprietary design, operation and management. Therefore, it can shorten the distance between consumers and the Group, thereby improving the efficiency of sales, and reducing sales cost.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

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 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

In 2014 and 2015, our working capital was healthy and positive and we generally financed our operation with internal cash flows generated from operations for the past years. As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB201,942,000. The Group has sufficient financial resources and a strong cash position for satisfying working capital requirements of business development, operations and capital expenditures.

Capital commitments and charges on assets

As at 31 December 2015, the Group made capital expenditure commitments including approximately RMB74,089,000 that was authorised but not contracted for and approximately RMB22,744,000 contracted but not provided in the consolidated financial statements. These capital commitments were provided by cash generated from operations.

As at 31 December 2015, none of the Group's assets was pledged (2014: nil).

REMUNERATION POLICY, EMPLOYMENT BENEFITS AND SHARE OPTION SCHEME

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. A share option scheme has also been adopted with a primary purpose of motivating our employees to optimize their contributions to the Group and to reward them for their performance and dedications. 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 (including Directors). As at 31 December 2015, the Group employed a work force of 368 (including Directors and 191 staff of Yantai Baiyanghe) in Hong Kong and in the PRC (2014: 584). The total salaries and related costs (including the Directors' fee) for the year ended 31 December 2015 amounted to approximately RMB27,857,000 (2014: RMB29,883,000).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015. (2014: Nil).

DIVIDEND

The Board does not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 May 2016 to Friday, 6 May 2016 (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 Friday, 6 May 2016. 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 Tuesday, 3 May 2016.

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 ended 31 December 2015.

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 ended 31 December 2015.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2015, 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 ("Mr. Wang") 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 all the three independent non-executive Directors, namely Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Yang Qiang (appointed on 15 January 2016).

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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.hkexnews.hk) and the Company (http://www.tontine-wines.com.hk). The annual report for the year ended 31 December 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 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 2016

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. Yang Qiang.

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.

* *For identification purpose only*