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 2017

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 54.5% to approximately RMB81.0 million (2016 corresponding period: RMB178.1 million).
- Gross profit decreased by approximately 59.4% to approximately RMB25.3 million (2016 corresponding period: RMB62.3 million).
- Loss and total comprehensive expense for the period attributable to owners of the Company amounted to approximately RMB39.6 million (2016 corresponding period: profit and total comprehensive income attributable to owners of the Company of RMB13.3 million).
- Basic and diluted losses per share were RMB2.0 cents (2016 corresponding period: basic and diluted earnings per share of RMB0.7 cents).

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 2017 (the "Period" or "period under review"), together with the comparative figures for the six months ended 30 June 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(unaudited)	(unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**81,044**	178,064
Cost of sales		**(55,775)**	(115,715)
Gross profit		**25,269**	62,349
Other income, gains and losses	*5*	**240**	380
Selling and distribution expenses		**(44,530)**	(18,062)
Administrative expenses		**(23,646)**	(29,356)
Change in fair value of biological assets		**1,559**	1,431
Finance costs	*6*	**(64)**	–
(Loss) profit before tax	*7*	**(41,172)**	16,742
Taxation	*8*	**–**	–
(Loss) profit and total comprehensive (expense) income for the period		**(41,172)**	16,742
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(39,592)**	13,290
Non-controlling interests		**(1,580)**	3,452
		(41,172)	16,742
(Losses) earnings per share	*9*		
Basic *(RMB cents)*		**(2.0)**	0.7
Diluted *(RMB cents)*		**(2.0)**	0.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	**30 June 2017 (unaudited) RMB'000**	31 December 2016 (audited) RMB'000
Non-current Assets			
Property, plant and equipment	*11*	**147,220**	149,130
Prepaid lease payments		**52,775**	54,138
Biological assets	*12*	**4,246**	2,687
		204,241	205,955
Current Assets			
Inventories		**277,507**	299,860
Trade receivables	*13*	**28,117**	27,407
Deposits and other receivables		**10,239**	14,157
Tax recoverable		**7,742**	5,551
Prepaid lease payments		**2,723**	2,723
Bank balances and cash		**158,013**	181,683
		484,341	531,381
Current Liabilities			
Trade payables	*14*	**3,517**	5,857
Other payables and accruals		**26,548**	25,871
Bank borrowings	*15*	**1,177**	7,096
Tax liabilities		**9,961**	9,961
		41,203	48,785
Net Current Assets		**443,138**	482,596
Total Assets Less Current Liabilities		**647,379**	688,551
Capital and Reserves			
Share capital		**17,624**	17,624
Reserves		**563,034**	602,626
Equity attributable to owners of the Company		**580,658**	620,250
Non-controlling interests		**66,721**	68,301
Total Equity		**647,379**	688,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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.

2. 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 amendments to HKFRSs issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above new amendments to the HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, but additional disclosure about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. REVENUE

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

4. 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 2017 (unaudited)						
Segment revenue from external customers	**16,048**	**14,085**	**24,158**	**12,663**	**14,090**	**81,044**
Segment loss	**(4,386)**	**(2,443)**	**(4,581)**	**(2,938)**	**(3,354)**	**(17,702)**
For the six months ended 30 June 2016 (unaudited)						
Segment revenue from external customers	36,736	33,580	47,160	30,732	29,856	178,064
Segment profit	10,700	10,360	10,809	7,284	6,379	45,532

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	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Loss) Profit		
Total segment (loss) profit	**(17,702)**	45,532
Unallocated amounts:		
Other corporate income	**244**	380
Other corporate expenses and losses	**(23,714)**	(29,170)
Consolidated (loss) profit before tax	**(41,172)**	16,742

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

	North-East Region	**Northern Region**	**Eastern Region**	**South-Central Region**	**South-West Region**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2017 (unaudited)						
Segment assets	**7,391**	**5,637**	**11,787**	**4,138**	**6,377**	**35,330**
Segment liabilities	**899**	**716**	**1,193**	**641**	**713**	**4,162**
As at 31 December 2016 (audited)						
Segment assets	3,052	6,930	8,397	5,751	5,762	29,892
Segment liabilities	1,206	1,195	1,769	1,113	1,156	6,439

	At 30 June 2017 (unaudited) *RMB'000*	At 31 December 2016 (audited) *RMB'000*
Assets		
Total segment assets	**35,330**	29,892
Other unallocated amounts		
Property, plant and equipment	**147,220**	149,130
Prepaid lease payments	**55,498**	56,861
Biological assets	**4,246**	2,687
Inventories	**277,507**	299,860
Deposits and other receivables	**3,026**	11,672
Tax recoverable	**7,742**	5,551
Bank balances and cash	**158,013**	181,683
Consolidated total assets	**688,582**	737,336

	At 30 June 2017 (unaudited) *RMB'000*	At 31 December 2016 (audited) *RMB'000*
Liabilities		
Total segment liabilities	**4,162**	6,439
Other unallocated amounts		
Trade payables	**3,517**	5,857
Other payables and accruals	**22,386**	19,432
Bank borrowings	**1,177**	7,096
Tax liabilities	**9,961**	9,961
Consolidated total liabilities	**41,203**	48,785

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Bank interest income	**244**	380
Loss on write-off of property, plant and equipment	**(4)**	–
	240	380

6. FINANCE COSTS

The costs represent the interests incurred on bank borrowings.

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Loss) profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**45,238**	93,853
Depreciation of property, plant and equipment	**5,673**	5,882
Write-down of inventories	**804**	843
Amortisation of prepaid lease payments	**1,362**	1,362
Less: amounts included in property, plant and equipment	**(893)**	(893)
	469	469
Net foreign exchange (gain) loss	**(4)**	72
Share-based payments (included in administrative expenses)	**–**	8,025
Advertising and promotion expenses (included in selling and distribution expenses)	**36,661**	750

8. TAXATION

During the six months ended 30 June 2017 and 2016, the Group had utilised certain unused tax losses to offset against the current tax charges. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

9. (LOSSES) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Losses) earnings		
(Loss) profit for the period attributable to owners of the Company and (losses) earnings for the purposes of calculating the basic and diluted (losses) earnings per share	**(39,592)**	13,290

	At 30 June 2017 & 2016 (unaudited) *Number of shares*
Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted (losses) earnings per share	2,013,018,000

For the six months ended 30 June 2016, 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 from the date of beginning period/date of grant to date of period end, as appropriate.

For the six months ended 30 June 2017, the computation of diluted losses per share does not assume the exercise of the Company's share option as the assumed exercise would result in a decrease in losses per share.

10. DIVIDENDS

No dividends were declared and distributed during the six months period ended 30 June 2017. The directors of the Company have determined that no dividend will be paid in respect of the period.

11. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the current interim period are summarised as follows:

	RMB'000
At 1 January 2017 (audited)	149,130
Additions	3,767
Write-off	(4)
Depreciation for the period	(5,673)
At 30 June 2017 (unaudited)	147,220

12. BIOLOGICAL ASSETS

Movements of the vines are summarised as follows during the periods:

	RMB'000
At 1 January 2017 (audited)	2,687
Change in fair value of biological assets	1,559
At 30 June 2017 (unaudited)	4,246
At 1 January 2016 (audited)	2,857
Change in fair value of biological assets	1,431
At 30 June 2016 (unaudited)	4,288

No agricultural produce was harvested for both periods. All grapes are usually harvested annually from August to November of each year. As at the periods ended 30 June 2017 and 2016, the Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of grapevines.

13. TRADE RECEIVABLES

The Group allows a credit period of 30 to 90 days to its trade customers except for the new customers which payment is made when wine products 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 2017 (unaudited) ***RMB'000***	At 31 December 2016 (audited) *RMB'000*
0 – 30 days	**12,823**	18,274
31 – 60 days	**10,470**	9,133
61 – 90 days	**4,824**	–
	28,117	27,407

14. 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 2017 (unaudited) ***RMB'000***	At 31 December 2016 (audited) *RMB'000*
0 – 30 days	**1,240**	288
31 – 60 days	**2,277**	5,569
	3,517	5,857

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

15. BANK BORROWINGS

During the current interim period, the Group had withdrawn borrowings amounting to RMB829,000 (six months ended 30 June 2016: nil) and repaid borrowings amounting to RMB6,748,000 (six months ended 30 June 2016: nil).

16. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme") was adopted by the shareholders of the Company on 19 November 2009 for the primary purpose of providing incentives to eligible participants including directors, employees, supplier of goods and services, consultant, adviser, contractor, business partner or service partner.

Date of grant	Number of outstanding options as at 30 June 2017	Exercisable period	Exercise price
18 May 2012	– (31 December 2016: 40,000,000)	18 May 2012 to 17 May 2017	HK$0.71
9 May 2016	115,850,000 (31 December 2016: 115,850,000)	9 May 2016 to 8 May 2021	HK$0.263

The following table discloses movements of the Company's share options granted under the Scheme during the current interim period:

Category of participant	Date of grant	Outstanding at 1.1.2017	Granted during the period	Lapsed/ forfeited/ expired during the period	Exercised during the period	Outstanding at 30.6.2017
A director	9 May 2016	16,550,000	–	–	–	16,550,000
Employees	18 May 2012	40,000,000	–	(40,000,000)	–	–
	9 May 2016	99,300,000	–	–	–	99,300,000
		139,300,000	–	(40,000,000)	–	99,300,000
Total		155,850,000	–	(40,000,000)	–	115,850,000

During the period ended 30 June 2017, 40,000,000 share options to employees were lapsed.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China grew by 6.9% year-on-year in the first half of 2017. The slowdown of China's economy has become a new normal. Change in the economic environment also affected the overall sentiment and attitude towards consumption. On the other hand, overshadowed by the crackdown of the Chinese Government on corruption and restrictions imposed on lavish entertainment, high-end consumer goods succumbed to fall in sales. With the rapid development of domestic wine market, the wine manufacturing countries in the world have aimed at China market, thus bringing severe challenge to the wine enterprises in China. According to the statistical data of China customs, the gross wine imported into China grew by 8.53% year-on-year from January to May 2017. Confronted with the increase in the quantity of imported products, domestic wine manufactures undertook more pressure on sales and price reduction.

Affected by a considerable increase in the total volume of wine imports and decline of import price, the wine industry in China underwent depth adjustment. High-end wine succumbed to fall in sales and price in China market in recent years. On the other hand, domestic consumer structure has excited a change, and consumption orientation tends to be rational. At present, consumers prefer more professional sales service, more brand choices and more affordable prices. Therefore, domestic wine enterprises adjust their industrial and product structures, create marketing mode and promote product quality to cater to the market shift.

As domestic well-known wine brands gradually deepen their penetration into the market, wine brand differentiation tends to be obvious, and consumers further enhance their trust and pursuit of the brand. In addition, with the upgrading of consumption level, consumers also constantly raise their requirements, thereby making wine sales more personalized and product cost-effectiveness more important.

In the aspect of distribution channels, most distributors adopted the operation model of "More emphasis on sales and less on service" in the past. In recent years, subjected to the impact of the e-commerce, the distribution channels and methods of wine have changed. The sales pattern of e-commerce and online&offline integration mainly target individuals, while distributors also transform themselves from seller to service provider, so as to improve consumer service and experience.

FINANCIAL REVIEW

During the period under review, business environment had continuously deteriorated, and the Group's operations was confronted with significant challenges, in the wake of declining sales of wine driven by the slowdown in China's economic growth. In the period under review, the Group's product sales significantly reduced, a continuation of the trend in the second half of last year. As a result, the Group's revenue declined. In addition, the Chinese Government's restriction on extravagant entertainment had further dragged down the sales of high-end wine products manufactured by the Group, thereby creating pressure on its performance. In the first half of 2017, wine imports have been deepening their penetration into the China market, while the value of related products has also been reduced, thus seriously affecting the sales of local products. In response to the market dynamics, the Group raised its outlay in brand building and marketing in a bid to strengthen its overall sustainable competitive edges during the period under review. Such investments led to a surge in the Group's advertising and marketing expenses, thereby weakening the Group's profitability during the period under review.

During the period under review, the Group's product quality has been further recognized in the industry. "Tontine Xuanniya Ice Red Grape Wine (Beibinghong 2013)" produced by the Group won a gold award in "the 8th Asia Wine Quality Competition (2017)" held in March, while "Tontine Xuanniya Ice White Grape Wine (Vidal 2012)" won the silver award. China Tontine Wines Group was ranked among "Top 100 Chinese Wine Manufacturers 2016" by "China Alcoholic Drinks Industry" magazine due to its comprehensive competitiveness at the beginning of this year.

The following table shows gross profit, gross profit margin and year-on-year comparison during the Period:

	Six months ended 30 June		**Decrease year-on-year**
	2017	2016	
Overall gross profit (RMB'000)	**25,269**	62,349	–59.4%
Overall gross profit margin	**31.2%**	35.0%	–3.8 percentage points

For the six months ended 30 June 2017, the Group's revenue decreased by approximately 54% year-on-year to RMB81,044,000. Overall gross profit stood at RMB25,269,000 with the Group's gross profit margin adjusted to approximately 31% due to a decrease in revenue. The loss attributable to the owners of the Company amounted to RMB39,592,000 for the period under review against a profit of RMB13,290,000 in the corresponding period last year. The basic losses per share for the period under review was RMB2.0 cents (2016 corresponding period: basic earnings per share of RMB0.7 cents).

The loss for the period under review was mainly attributed to the decline in the revenue, and the upsurge of selling and distribution expenses by 147% year-on-year to RMB44,530,000, of which approximately RMB36,661,000 was advertising and promotional expenses, rising greatly year-on-year. Due to the intensified competition of the domestic wine market impacted by quantity and price of imported products, the management considered it necessary to step up efforts in brand building and marketing promotion, in order to enhance the competitive edges of the Group against local and imported products in the coming years. These moves were aimed at strengthening the leading industry position of the Group, as well as raising the popularity and penetration of the Group's products.

For the six months ended 30 June 2017, the total cost of sales of the Group was RMB55,775,000. A drop in wine output during the period under review brought about a corresponding approximately 52% year-on-year retreat in overall costs, of which raw material costs representing maximum proportion in total cost of sales reduced by approximately 55% to RMB40,241,000.

Major raw materials required for producing wine products of the Group are grapes, grape juice, yeast and additives as well as packaging materials (including bottles, bottle caps, label, corks and packaging boxes). During the period under review, the cost of raw materials accounted for approximately 72% of the Group's total cost of sales.

The following table sets forth the breakdown of the costs required for production of the Group for the six months ended 30 June 2017:

	Six months ended June 30		
	2017	**2016**	**Change**
	(RMB'000)	*(RMB'000)*	*%*
Raw materials	**40,241**	88,881	–55%
Production overheads	**4,998**	4,441	+13%
Consumption tax and other taxes	**10,536**	22,393	–53%
Total cost of sales	**55,775**	115,715	–52%

OPERATION REVIEW

Due to the slowdown of China's economy, declined demand of domestic consumers for domestic wine products, and high-end products suffered more obvious impact of restrictions on lavish entertainment imposed by the Chinese Government, the Group placed its emphasis on promoting sweet wine products targeted at the daily consumption needs of the general public during the period under review.

The low-margin sweet wine products accounted for 59% of the total revenue of the Group in the first half of 2017, while the high-margin dry wine products accounted for 35%. These two wine products accounted for 94% in aggregate of the total revenue in the first half of 2017, similar to the weighting of the same period of the previous year. During the period under review, brandy only accounted for 3% of the total revenue in the first half of 2017. Other wine products such as white wines and ice wines accounted for 3 % of the overall revenue.

During the period under review, the management continued to streamline its product system. As such, the Group removed those products with lukewarm consumer acceptance from the market, and reallocated resources to those well-received mass-market items. The Group optimized the product portfolio by reducing certain types of high-end wines and bringing in new sweet wine products geared to popular consumption. This approach enabled the Group to meet the diverse demand from different consumer segments. As at the end of the period under review, the Group offered a total of 95 types of wine products.

Output Volume and Sales

During the period under review, the Group's production facilities in Tonghua, Jilin Province and Yantai Baiyanghe, Shandong Province produced a total of 2,211 and 1,805 tonnes of wine products respectively.

During the period under review, the total sales volume of the Group decreased by approximately 52% to 4,858 tonnes as compared to the corresponding period of the previous year, and the overall output of the Group retreated from the same period of the previous year, mainly due to dampened market demand and the impact of imported products. The average selling price per tonne was adjusted by about 5% to RMB16.7 as compared to the corresponding period of the previous year, of which the average selling price of ice wine and white wine reached the highest, amounted to RMB192.9 and RMB630 respectively; while the average selling price per tonne of sweet wine and dry wine with the most sales volume was RMB13.5 and RMB24.6 per tonne respectively.

The Group sells the majority of its products to distributors, who distribute such 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. These distributors also sell directly to end-consumers and other sub-distributors for further sales distribution.

As at 30 June 2017, the Group's products were sold through 104 distributors in 20 provinces, 3 autonomous regions and 4 direct-controlled municipalities of China. During the period under review, the Group further streamlined the structure of its selling and distribution network, by conducting rigorous distributors' performance audit and eliminating underperformed distributors.

During the period under review, the Group gradually improved the ratio of online sales through online e-platform, including Jiuxian.com and other channels. Meanwhile, the Group actively cooperated with leading wine industries and used their domestic chain sales platforms and e-commerce platforms to expand product coverage of the Group and develop wine retail sharing alliance direct to the consumers.

Regional market performance

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

	Six months ended 30 June			
	2017		2016	
	Revenue ***RMB'000***	**Percentage of total revenue**	Revenue *RMB'000*	Percentage of total revenue
North-East Region	**16,048**	**20%**	36,736	20%
Northern Region	**14,085**	**17%**	33,580	19%
Eastern Region	**24,158**	**30%**	47,160	27%
South-Central Region	**12,663**	**16%**	30,732	17%
South-West Region	**14,090**	**17%**	29,856	17%
Total	**81,044**	**100%**	178,064	100.0%

In terms of regional revenue, the Eastern region remained the largest market of the Group during the period under review, with revenue amounting to RMB24,158,000, representing 30% of the total revenue, up by approximately 3 percentage points year-on-year. Wine products were generally well received in this region, as it covered those prosperous provinces in China with a relatively high per-capita income level. However, the competition in this region was more severe than others due to its consumption concentration.

During the period under review, the revenue of North-East region, as the production base of Tonghua, Jilin, reached RMB16,048,000, accounting for 20% of the total revenue, similar to the level of the previous year. This region was ranked the second largest market of the Group. The market performance of the North-East region was relatively steady, which was mainly attributable to high acceptance and favorable brand recognition of the Group's products in the locality.

During the period under review, the revenue in the Northern region recorded RMB14,085,000, accounting for 17% of the total revenue. The revenue in the South-West region recorded RMB14,090,000, accounting for 17% of the total revenue. The revenue in the South-Central region recorded RMB12,663,000, accounting for 16% of the total revenue.

BUSINESS INDICATOR REVIEW

Inventory turnover days

The inventory turnover days of the Group as at the end of the period under review stood at 1,161 days, representing an increase as compared to that as at the end of the corresponding period last year. This was attributable to a slight drop in sale during the period under review as compared to the corresponding period last year.

Trade account receivables turnover days

As at 30 June 2017, the trade account receivables turnover days of the Group stood at 62 days. Trade account receivables slightly increased to RMB28,117,000 as compared with the beginning of the Period.

OPERATION ANALYSIS BY PRODUCT

The following table shows the Group's revenue of various products for the period under review:

	Six months ended 30 June			
	2017		2016	
	Revenue *RMB'000*	**Percentage of total revenue**	Revenue *RMB'000*	Percentage of total revenue
Sweet wines	**47,886**	**59%**	101,197	57%
Dry wines	**28,103**	**35%**	66,296	37%
Brandy	**2,839**	**3%**	2,371	1%
Others	**2,216**	**3%**	8,200	5%
Total	**81,044**	**100%**	178,064	100%

Sweet wines

For the six months ended 30 June 2017, sweet wines contributed the most to the Group's output and sales. Its revenue for the first half of 2017 amounted to RMB47,886,000, representing a decrease of 53% as compared with the corresponding period last year. Dampened by weakened overall demand for wine products and impact of imported products, its gross profit margin declined to 25%. Sweet wines accounted for approximately 48% of the overall gross profit of the Group in the first half of 2017. During the period under review, the Group launched 4 types of new sweet wines in total in order to satisfy the market demands for popular products. At the end of the period under review, the Group marketed 47 types of sweet wines in total.

Dry wines

During the period under review, the sales revenue from dry wines amounted to RMB28,103,000. Due to the severe impact of the Chinese Government's restriction on extravagant entertainment and hospitality, its gross profit margin was 41%, accounting for approximately 45% of the overall gross profit of the Group during the period under review. At the end of the period under review, the Group marketed 43 types of dry wines in total.

Brandy

During the period under review, the Group's revenue from brandy reached approximately RMB2,839,000; and its gross profit margin was 22.2%, accounting for approximately 3% of the overall gross profit.

Other products

Other products of the Group, including high-end ice wines and white wines, were also impacted by the Chinese Government's urge for thrift consumption during the period under review. In the first half of 2017, the Group's revenue from ice wines was RMB1,775,000, with gross profit margin increasing to 44% and the revenue from white wines was RMB441,000. Other products only accounted for 4% in aggregate of the Group's overall gross profit during the period under review.

BUSINESS PROSPECTS

There were uncertainties in the global political and economic landscapes in the first half of 2017. Change in European politics and America's new president taking office caused certain influence on geopolitics and global economy. In addition, due to the lower single-digit growth rate in China's economy, domestic consumers have taken a cautious attitude towards consumption. Domestic alcoholic products, especially wines, will continue to see a debubbling process in sales prices. With the impact of imported products, the price competition in the market is expected to remain intense, which makes wine manufacturers and distributors face greater challenges.

The chase for branded wine products has turned more pronounced among Chinese consumers, especially amid the shifting of consumption from high-end products driven by public/corporate-financed banqueting to mid to low end products targeted at middle class and younger generation. This trend will trigger suppliers to increase the outlay in brand building. In addition, the distribution channels of China's wine market are undergoing changes, as traditional distribution channels are under mounting pressure from specialized chain stores and hypermarkets. On the other hand, online&offline linkage sales which integrated e-commerce and traditional distribution channels focused more on personalized marketing to individual consumers by using more network platforms and social marketing means.

The management believes that only household brands with high credibility can support the Group's foothold in China's fiercely competitive wine market. Systematic brand building and promotion can enhance the target consumer group's recognition and identification of the Group's products. This in turn will help maintaining consumers' loyalty in the Group's products, and consolidate the Group's competitive edges and share in the complicated and fast-changing market. The Group will promote consumers' product awareness through personalized, social and online&offline linkage publicity following the market trend in the future.

The Group signed strategic cooperation agreements with three domestic leading wine enterprises in March this year to establish a new model of wine retail sharing alliance in China covering from the production in the production area to consumers, so as to expand the coverage of domestic online&offline sales of its products. Wine enterprises participating in the strategic cooperation include Beijing Wangjiu Electronic Commerce Co., Ltd.（北京網酒網電子商務股份有限公司）which is affiliated to LeEco, Henan Liquor Easy Commercial Corporation（河南酒便利商業股份有限公司）, a member of Legend Holdings and Heilongjiang Wine Direct Supply Chain Management Co. Ltd（黑龍江酒直達供應鏈管理有限公司）.

With the production and supporting service capacity of China Tontine Wines Group serving as the core of the strategic alliance, the strategic cooperation is designed to establish a new model of wine retail sharing alliance in China covering from the production in the production area to consumers, combining with the marketing advantages of these three leading wine enterprises, including layouts of new retail chain platform and e-commerce covering national core cities, complete membership service system and strong marketing resources. All parties are seeking for further cooperation, including introducing more products of the Group, so as to carry out continuous brand communication and tasting promotion nationwide.

The Jilin Tongtian Winery established by the Group is approaching the final stage of calibration. It is expected that after the beginning of initial production in the second half of 2017, small-batch products will be launched to the market in the fourth quarter of the year or the first quarter of next year. The winery is mainly engaged in the development of its own high-end products, with its annual capacity of about 500 tonnes. Leveraging on the strengths of the winery, the Group plans to produce the high and mid-end products with its own brand characteristics through the fully integrated operation all the way from grape plantation to wine brewing. The winery with proprietary high and mid-end wines would also be advantageous to deepening the Group's brand building efforts. The gross profit margin of the products is expected to be higher than that of other similar products in the Group when the winery runs smoothly.

Apart from self-production of high-end products, the Group is also exploring the feasibility of merger and acquisition in domestic and overseas markets, with the aim of introducing new production bases or varieties of products, optimizing the Group's product portfolio and catering to the tastes and needs of various customers. The Group adopts an extremely cautious approach to the exploration in relevant merger and acquisition. It will carry out in-depth research on the operations, product quality, target market, development prospects of the projects proposed to be merged and acquired, as well as the synergies brought to the existing business of the Group after evaluating its own resources and advantages. After the end of the interim period, the Group entered into a memorandum of understanding with independent third parties for the possible acquisition of 25.53% equity interests in Beijing Wangjiu Electronic Commerce Co., Ltd. (北京網酒網電子商務股份有限公司), which operates a mature vertically integrated marketing platform with 5 million online consumers and 3,000 core collaborators as well as a comprehensive layout of retail network.

The management is also actively exploring the diversified development of business, so as to establish broader and more balanced sources of revenue via business connections of the Group in related fields. The Group is making a preliminary study of the viability of investment in agricultural projects in the northeast China to expand the business to other agriculture-related fields.

China has become the second largest importer of still wine in the world after the US. The wine imports is becoming more and more popular and the number of importing countries with zero duties have increased, which promotes the high-speed growth of wine imports and reduction in price. More and more overseas wineries and professional distributors are going to sell directly to the Chinese market and the market share of wine imports is expected to rise, which poses a great pressure of replacing inefficient players by leading enterprises on domestic vintners. Facing such severe market situation, the management will uphold the strategy of maintaining a strong financial position, and adopt a pragmatic stance in exploring a stable and diversified development trail for the Group. The Group will maintain sufficient cash on hand to flexibly respond to changes in the market.

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.

In view of the minimal foreign currency exchange risk, the Directors will 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

During the period under review, the Group's working capital was healthy and positive and we generally financed the Group's operation with internal cash flows generated from operations for the past years. As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB158,013,000. The Group has sufficient financial resources and a strong cash position for satisfying working capital requirements of business development, operations and capital expenditures.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016 corresponding period: 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 the 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 audit committee of the Company (currently comprises all the independent non-executive Directors, including Mr. Lam Yiu Por, Mr. Lai Chi Keung, Albert and Mr. Yang Qiang, with Mr. Lam Yiu Por as the chairman) had reviewed with the management of the Company the accounting policies and practices adopted by the Group and the Group's unaudited condensed consolidated financial statements for the Period. The interim results for the Period are unaudited and have been reviewed by the auditors of the Company.

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 Period 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, 25 August 2017

As at the date of this announcement, the Executive Directors are Mr. Wang Guangyuan, Mr. Zhang Hebin and Ms. Wang Lijun and the Independent Non-executive Directors are Mr. Lai Chi Keung, Albert, Mr. Lam Yiu Por 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.