
THIS RESPONSE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Tontine Wines Group Limited**, you should at once hand this Response Document to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Response Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Response Document.



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)

**RESPONSE DOCUMENT RELATING TO
VOLUNTARY CONDITIONAL CASH PARTIAL
OFFER BY GAOYU SECURITIES LIMITED FOR
AND ON BEHALF OF MR. WANG HE
TO ACQUIRE 30,160,000 SHARES IN
CHINA TONTINE WINES GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED BY MR. WANG HE AND
PARTIES ACTING IN CONCERT WITH HIM)**

Independent Financial Adviser to the Independent Board Committee



China Harbour International Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document.

A letter from the Board is set out on pages 5 to 11 of this Response Document. A letter from the Independent Board Committee containing its recommendation in respect of the Partial Offer is set out on pages 12 to 13 of this Response Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Partial Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 14 to 37 of this Response Document.

12 July 2024

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	14
APPENDIX I – FINANCIAL INFORMATION	I-1
APPENDIX II – GENERAL INFORMATION	II-1

EXPECTED TIMETABLE

The timetable reproduced below is extracted from the Offer Document, with appropriate changes as to certain defined terms. The timetable is indicative only and is subject to change. Any changes to the timetable below will be announced by the Offeror. Unless otherwise expressly stated, all time and date references in the timetable below refer to Hong Kong time and dates.

Despatch date of the Offer Document and the Form
of Acceptance and commencement date of
the Partial Offer (*Note 1*) Friday, 28 June 2024

Latest time for posting of the Response Document (*Note 2*) Friday, 12 July 2024

Latest time and date for acceptance of the Partial Offer
on the First Closing Date (*Note 3*) 4:00 p.m. on
Tuesday, 13 August 2024

Announcement of the results of the Partial Offer as at the
First Closing Date (or its extension or revision, if any), to be
posted on the website of the Stock Exchange by 7:00 pm on
Tuesday, 13 August 2024

Latest time and date for acceptance of the Partial Offer assuming
the Partial Offer becomes or is declared unconditional on the
First Closing Date (i.e. the Final Closing Date) (*Note 4*) 4:00 p.m. on
Tuesday, 27 August 2024

Announcement of the results of the Partial Offer as at the
Final Closing Date to be posted on the website of the
Stock Exchange (*Note 5*) by 7:00 pm on
Tuesday, 27 August 2024

Latest time by which the Partial Offer can be declared
unconditional as to acceptances (*Note 7*) Tuesday, 27 August 2024

Designated agent starts to stand in the market to provide matching
services for sale and purchase of odd lots holdings of Shares
(assuming that the Partial Offer becomes or is declared
unconditional as to acceptances on the First Closing Date) 9:00 am on
Wednesday, 28 August 2024

Latest date for posting of remittances for the amount due in
respect of valid acceptances received under the Partial Offer
on the Final Closing Date (*Note 6*) Thursday, 5 September 2024

EXPECTED TIMETABLE

Latest date for despatch of share certificate(s) and/or any transfer receipt(s) and other document(s) of title for Shares tendered but not taken up or share certificate(s) in respect of the balance of such Shares (assuming that the Partial Offer becomes or is declared unconditional as to acceptances on the First Closing Date) Thursday, 5 September 2024

Designated agent ceases to stand in the market to provide matching services for sale and purchase of odd lots holdings of Shares (assuming that the Partial Offer becomes or is declared unconditional as to acceptances on the First Closing Date) Wednesday, 9 October 2024

Notes:

1. The Partial Offer is open for acceptance on and from Friday, 28 June 2024, being the date of posting of the Offer Document, until 4:00 p.m. on the Closing Date, i.e. the later of the Final Closing Date on Tuesday, 13 August 2024 or the date falling 14 days after the Partial Offer becomes or is declared unconditional in all respects, or if the Partial Offer is extended, any subsequent Closing Date as extended and announced by the Offeror in accordance with the Takeovers Code.
2. In accordance with the Takeovers Code, the Company is required to post the Response Document to the Shareholders no later than 14 days after the date of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the First Closing Date by the number of days in respect of which the delay in the posting of the Response Document is agreed.
3. In accordance with the Takeovers Code, where the Response Document is posted after the date of the Offer Document, the Partial Offer be open for acceptance for at least 28 days after the date of the Offer Document. The Offeror reserves its right, as permitted under the Takeovers Code, to revise or extend the Partial Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Partial Offer, which will state the next Closing Date.
4. The Offeror has the right, subject to the Takeovers Code, to extend the Partial Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. Pursuant to Rule 28.4 of the Takeovers Code: (a) if on a Closing Date acceptances received equal or exceed the precise number of Shares stated in the Offer Document, the Offeror must declare the Partial Offer unconditional as to acceptances and extend the Final Closing Date to the 14th day thereafter and the Offeror cannot further extend the Final Closing Date; (b) if the acceptance condition is fulfilled during the period between the Despatch Date and the date which is 14 days before the First Closing Date, the Offeror must declare the Partial Offer unconditional as to acceptances on the day the acceptance condition is met, provided that the Partial Offer would remain open for acceptance for not less than 14 days thereafter, and the Offeror cannot extend the First Closing Date and the Final Closing Date would be on (but no earlier than) the First Closing Date; or (c) if the acceptance condition is fulfilled within the 14-days period before the First Closing Date, the Partial Offer would remain open for acceptance for 14 days after the Partial Offer is declared unconditional as to acceptance (i.e. the Final Closing Date). The Offeror will make an announcement when the Partial Offer becomes unconditional in all respects.

EXPECTED TIMETABLE

5. The announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, among other things, the results of the Partial Offer and details of the way in which the pro rata entitlement for each accepting Shareholder was determined.
6. Subject to the Partial Offer becoming unconditional, remittances in respect of the consideration payable for the Offer Shares tendered under the Partial Offer will be posted by ordinary post to the accepting Shareholders at their own risk as soon as possible but in any event no later than seven business days following the Final Closing Date.
7. In accordance with the Takeovers Code, except with the consent of the Executive, the Partial Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date of the Offer Document. Accordingly, unless the Partial Offer has previously become or is declared unconditional as to acceptances, the Partial Offer will lapse after 7:00 p.m. on Tuesday, 27 August 2024, unless extended with the consent of the Executive. If the Partial Offer does not become, or is not declared, unconditional within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) received by the Registrar will be returned to the accepting Shareholders in accordance with Rule 20.2 of the Takeovers Code.
8. If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force or “extreme conditions” caused by super typhoon in Hong Kong:
 - (a) at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Partial Offer and the latest date for despatch of remittances for the amounts due under the Partial Offer in respect of valid acceptances, the latest time for acceptance of the Partial Offer will remain at 4:00 p.m. on the same business day and the latest date for the despatch of remittances will remain on the same business day; or
 - (b) at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Partial Offer and the latest date for despatch of remittances for the amounts due under the Partial Offer in respect of valid acceptances, the latest time for acceptance of the Partial Offer and the latest date for the despatch of remittances will be rescheduled on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for acceptance of the Partial Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Response Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	board of Directors
“Business Day”	has the meaning ascribed to it under the Takeovers Code
“Company”	China Tontine Wines Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 389)
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance and Transfer”	the form of acceptance and transfer in respect of the Partial Offer accompanying the Offer Document
“Gaoyu Securities”	Gaoyu Securities Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Partial Offer on behalf of the Offeror
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all non-executive Directors who have no direct or indirect interest in the Partial Offer, namely Mr. Li Jerry Y., Mr. Zhu Minghui, Dr. Cheng Vincent, Mr. Yang Qiang and Ms. Zhang Shiqing, formed for the purpose of advising the Qualifying Shareholders in respect of the Partial Offer

DEFINITIONS

“Independent Financial Adviser” or “China Harbour”	China Harbour International Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Partial Offer
“Latest Practicable Date”	9 July 2024, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Document”	the offer document dated 28 June 2024 despatched by the Offeror (accompanied by the Form of Acceptance and Transfer) to all the Shareholders in connection with the Partial Offer in accordance with the requirements of the Takeovers Code
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 12 June 2024 (the date of the Rule 3.5 announcement) and ending on the close of the Partial Offer
“Offer Price”	the price per Offer Share at which the Partial Offer is made in cash, being HK\$0.6 per Offer Share
“Offer Share(s)”	the number of Offer Shares to be purchased by the Offeror from the Qualifying Shareholders under the Partial Offer, being 30,160,000 Offer Shares held by the Qualifying Shareholders which are subject to the Partial Offer
“Offeror”	Mr. Wang He (王赫)
“Partial Offer”	the voluntary conditional cash partial offer made by Gaoyu Securities for and on behalf of the Offeror to acquire 30,160,000 Shares (other than those already owned by the Offeror and parties acting in concert with him) at the Offer Price in cash from the Qualifying Shareholders in accordance with the Takeovers Code on the basis as out in the Offer Document and the Form of Acceptance and Transfer

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this Response Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-Condition”	the pre-condition to the Partial Offer of obtaining by the Offeror of the consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code
“Qualifying Shareholder(s)”	Shareholder(s), other than the Offeror and parties acting in concert with him
“Registrar”	Tricor Investor Services Limited, the branch share registrars and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period commencing on 12 December 2023, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Response Document”	this response document issued by the Company to the Shareholders in accordance with the Takeovers Code in respect of the Partial Offer
“Rule 3.5 Announcement”	the announcement issued by the Offeror dated 12 June 2024 in relation to, among others, the Partial Offer
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“HK\$” and “HK cent(s)”	Hong Kong dollar(s) and Hong Kong cent(s), the lawful currency of Hong Kong
“RMB”	renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Wang Lijun (*Chairlady*)
Mr. Zhang Hebin
Mr. Wang Junyao

Non-executive Directors:

Mr. Li Jerry Y.
Mr. Zhu Minghui

Independent non-executive Directors:

Dr. Cheng Vincent
Mr. Yang Qiang
Ms. Zhang Shiqing

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit No. 2910-11, 29/F
Prosperity Millennia Plaza
663 King's Road
Quarry Bay Hong Kong

12 July 2024

To the Qualifying Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH PARTIAL
OFFER BY GAOYU SECURITIES LIMITED FOR
AND ON BEHALF OF MR. WANG HE
TO ACQUIRE 30,160,000 SHARES IN
CHINA TONTINE WINES GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED BY MR. WANG HE AND
PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

On 12 June 2024, the Offeror announced that Gaoyu Securities would for and on behalf of the Offeror make the Partial Offer to acquire 30,160,000 Offer Shares (representing approximately 10.00% of the Company's issued share capital as at the date of the Rule 3.5 Announcement) not already owned by the Offeror and parties acting in concert with him at the Offer Price of HK\$0.6 per Offer Share.

LETTER FROM THE BOARD

In accordance with Rule 2.1 of the Takeovers Code, the Company is required to establish an independent board committee of the Board to advise the Qualifying Shareholders in respect of the Partial Offer. The Independent Board Committee comprising Mr. Li Jerry Y., Mr. Zhu Minghui, Dr. Cheng Vincent, Mr. Yang Qiang and Ms. Zhang Shiqing, being all non-executive Directors, has been formed to advise the Qualifying Shareholders in respect of the Partial Offer.

China Harbour has been appointed by the Company with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee in respect of the Partial Offer. The letter of advice from the Independent Financial Adviser to Independent Board Committee is set out on pages 14 to 37 of this Response Document.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group and the Partial Offer, the recommendation of the Board and the Independent Board Committee to the Independent Shareholders in respect of the Partial Offer, and the advice of from the Independent Financial Adviser to the Independent Board Committee on the Partial Offer.

You are advised to read this Response Document, the recommendation of the Board, the recommendation of the Independent Board Committee and the advice from the Independent Financial Adviser carefully before taking any action in respect of the Partial Offer.

THE PARTIAL OFFER

The terms of the Partial Offer are set out in the Offer Document and the Form of Acceptance and Transfer. You are recommended to refer to the Offer Document and the Form of Acceptance and Transfer for further details.

The Partial Offer is being made by Gaoyu Securities, for and on behalf of the Offeror, on the basis set out below:

For each Offer Share HK\$0.6 in cash

As at the Latest Practicable Date, the Company had 301,561,800 Shares in issue.

The Partial Offer is extended to all Qualifying Shareholders in accordance with the requirements of the Takeovers Code.

The making of the Partial Offer is subject to the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. According to the announcement made by the Offeror on 21 June 2024, the consent from the Executive in respect of the Partial Offer has been obtained and the Pre-Condition has been fulfilled on 21 June 2024.

LETTER FROM THE BOARD

The Partial Offer is subject to the condition that valid acceptances being received (and not, where permitted, withdrawn) in respect of a minimum of 30,160,000 Offer Shares at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (as defined in the Offer Document) which shall be at least 28 days following the despatch date of the Offer Document issued by the Offeror in respect of the Partial Offer, or such later date as may be extended by the Offeror in accordance with the requirements of the Takeovers Code.

As at the Latest Practicable Date, the Company did not have outstanding dividends which had been declared but not yet paid and the Company did not have any intention to declare or pay any future dividend or make other distribution on the Shares prior to the close of the Partial Offer.

Further details of the Partial Offer including, among others, the expected timetable and the terms and procedures of acceptance of the Partial Offer, are set out in the Offer Document and the Form of Acceptance and Transfer.

Shareholders are reminded of the right to withdraw their acceptance of the Partial Offer under Rule 17 of the Takeovers Code which provides that:

“An acceptor shall be entitled to withdraw his acceptance after 21 days from the first closing date of the offer, if the offer has not by then become unconditional as to acceptances. This entitlement to withdraw shall be exercisable until such time as the offer becomes or is declared unconditional as to acceptances. However, on the 60th day (or any date beyond which the offeror has stated that its offer will not be extended) the final time for the withdrawal must coincide with the final time for the lodgement of acceptances set out in Rule 15.5, and this time must not be later than 4.00 p.m.”

INFORMATION ON THE OFFEROR

Please refer to the Offer Document for the information on the Offeror.

INTENTION OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Reason for the Partial Offer” in the section headed “Letter from Gaoyu Securities” in the Offer Document.

The Directors (excluding the non-executive Directors) are of the view that as regards the intention of the Offeror to consider exploring new liquor business opportunities for the Group and refer business and sales to the Group, the Company will consider and assess such potential new opportunities and referrals in the context of the overall direction and strategy of the Group’s business development. However, the Directors (excluding the non-executive Directors) have reservations regarding the intention of the Offeror to introduce and refer employees and management to the board and management of the Company. The existing employees and management of the Group already consist of those who are well-experienced in the wine industry

LETTER FROM THE BOARD

and familiar with the development, strategy, operation and management of the Group's business and appreciate the values and culture of the Group. Employing new employees and management may not be suitable in the circumstances and may cause interruption to the running of the Group's business, which may not be in the best interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

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

The financial information of the Group is set out in Appendix I to this Response Document. Please also refer to the section headed "Material Change" in Appendix I to this Response Document for further details in relation to the material change of the Company since 31 December 2023.

PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

As at the Latest Practicable Date, the Company had a public float of approximately 61.05% of the Shares in issue. Assuming (i) full acceptances of the number of Offer Shares under the Partial Offer by the Qualifying Shareholders; and (ii) that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date (as defined in the Offer Document), the Company will have a public float of above 25% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Partial Offer (assuming that there will be no change to the issued share capital of the Company and no other change to the shareholding between the Latest Practicable Date and the Final Closing Date (as defined in the Offer Document)):

Shareholders	Notes	As at the		Immediately upon completion of the Partial Offer assuming all Qualifying Shareholders tender 100% of their Shares for acceptance under the Partial Offer	
		Latest Practicable Date			
		No. of Shares	%	No. of Shares	%
Up Mount International Limited	1	49,517,872	16.42%	44,565,458	14.78%
Sky Source International Investments Limited	2	20,000,000	6.63%	17,999,746	5.96%
Bon Voyage Development Limited		40,000,000	13.27%	35,999,493	11.94%
Ms. Wang Lijun	3	2,000,000	0.66%	1,799,975	0.60%
Mr. Zhang Hebin	3	2,000,000	0.66%	1,799,975	0.60%
Mr. Wang Junyao	3	3,940,000	1.31%	3,545,950	1.17%
The Offeror and parties acting in concert with him		—	—	30,160,000	10.00%
		117,457,872	38.95%	135,870,598	45.05%
Public Shareholders					
Mr. Yan Shaohua		23,758,200	7.88%	21,382,079	7.09%
Mr. Yu Xinxin		25,760,000	8.54%	23,183,674	7.69%
Other shareholders		134,585,728	44.63%	121,125,449	40.17%
		184,103,928	61.05%	165,691,202	54.95%
Total		<u>301,561,800</u>	<u>100.00%</u>	<u>301,561,800</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Notes:

1. Up Mount International Limited is a company incorporated in the British Virgin Islands and is owned as to 51% by Mr. Wang Guangyuan and 49% by Sky Source International Investments Limited. Accordingly, Mr. Wang Guangyuan and Sky Source International Investments Limited are deemed to be interested in 49,517,872 Shares held by Up Mount International Limited by virtue of Part XV of the SFO. Ms. Zhang Min is the spouse of Mr. Wang Guangyuan and is deemed to be interested in all the Shares held by Mr. Wang Guangyuan by virtue of Part XV of the SFO. Sky Source International Investments Limited is a company incorporated in Samoa and is owned as to 50% by Mr. Li Jerry Y. and 50% by Mr. Zhu Minghui, who are non-executive Directors, accordingly, they are deemed to be interested in all the Shares held by Up Mount International Limited through Sky Source International Investments Limited by virtue of Part XV of the SFO.
2. Sky Source International Investments Limited, as beneficial owner, holds 20,000,000 Shares, representing 6.63% of total number of issued Shares. Mr. Li Jerry Y. and Mr. Zhu Minghui are deemed to be interested in the Shares held by Sky Source International Investments Limited under Part XV of the SFO.
3. Ms. Wang Lijun, Mr. Zhang Hebin and Mr. Wang Junyao are executive Directors.

RECOMMENDATION

Based on the circumstances of the Company as at the Latest Practicable Date and having considered the terms of the Partial Offer and the advice from the Independent Financial Adviser to the Independent Board Committee, the Directors (excluding the non-executive Directors whose view is set out in the “Letter from the Independent Board Committee” in this Response Document) consider that the terms of the Partial Offer are not fair and reasonable so far as the Qualifying Shareholders are concerned and recommend that the Qualifying Shareholders should not accept the Partial Offer.

Your attention is drawn to the section headed “Letter from the Independent Board Committee” set out on pages 12 to 13 of this Response Document and the section headed “Letter from the Independent Financial Adviser” set out on pages 14 to 37 of this Response Document, which contain, among other things, their respective recommendations and advice in relation to the Partial Offer and the principal factors considered by them in arriving at their recommendation.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the Appendices to this Response Document.

You are also recommended to read carefully further details in respect of the Partial Offer as set out in the Offer Document and the Form of Acceptance and Transfer which contain details of the Partial Offer before deciding whether or not to accept the Partial Offer.

Yours faithfully,
On behalf of the Board
China Tontine Wines Group Limited
WANG Lijun
Chairlady and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 July 2024

To the Qualifying Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH PARTIAL
OFFER BY GAOYU SECURITIES LIMITED FOR
AND ON BEHALF OF MR. WANG HE
TO ACQUIRE 30,160,000 SHARES IN
CHINA TONTINE WINES GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED BY MR. WANG HE AND
PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

We refer to the response document (the “**Response Document**”) dated 12 July 2024 issued by the Company, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Response Document.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Qualifying Shareholders as to whether or not the terms of the Partial Offer are fair and reasonable and to make a recommendation as to the acceptance of the Partial Offer.

China Harbour has been appointed as the Independent Financial Adviser to advise us in respect of the above. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the section headed “Letter from the Independent Financial Adviser” on pages 14 to 37 of the Response Document.

We also wish to draw your attention to the section headed “Letter from the Board” and the additional information set out in the Appendices to the Response Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

We have considered the terms of the Partial Offer and the advice and recommendation from the Independent Financial Adviser, including the principal factors taken into consideration by it in arriving at its opinion:

Accordingly, we are of the view the terms of the Partial Offer are not fair and reasonable so far as the Qualifying Shareholders are concerned and we recommend the Qualifying Shareholders not to accept the Partial Offer.

Notwithstanding our recommendations, the Qualifying Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Qualifying Shareholders should consult their own professional advisers for advice. Furthermore, the Qualifying Shareholders who wish to accept the Partial Offer are recommended to read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document and the Form of Acceptance and Transfer.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Li Jerry Y.	Zhu Minghui	Cheng Vincent	Yang Qiang	Zhang Shiqing
<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Independent Non- executive Director</i>	<i>Independent Non- executive Director</i>	<i>Independent Non- executive Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee in respect of the Partial Offer, which has been prepared for the purpose of inclusion in this Response Document.



23A/F, YF Life Centre,
38 Gloucester Road,
Wanchai, Hong Kong
Tel: (852) 3162 6900
Fax: (852) 3162 6922

12 July 2024

*To: The independent board committee of
China Tontine Wines Group Limited*

**LETTER RELATING TO
VOLUNTARY CONDITIONAL CASH PARTIAL OFFER BY
GAOYU SECURITIES LIMITED
FOR AND ON BEHALF OF MR. WANG HE
TO ACQUIRE 30,160,000 SHARES IN
CHINA TONTINE WINES GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED
BY MR. WANG HE AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Qualifying Shareholders in respect of the Partial Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the response document dated 12 July 2024 (the “**Response Document**”) issued by China Tontine Wines Group Limited (the “**Company**”, collectively with its subsidiaries as the “**Group**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Response Document unless the context requires otherwise.

Reference is made to the announcement dated 12 June 2024 issued by the Offeror in respect of the Partial Offer.

On 12 June 2024 (after trading hours), the Offeror notified the Company that he has firm intention to make the Partial Offer (in compliance with the Takeovers Code) to acquire 30,160,000 Offer Shares (representing approximately 10.00% of the Company’s issued share capital as at the date of the Latest Practicable Date) not already owned by the Offeror and parties acting in concert with him at the Offer Price of HK\$0.6 per Offer Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The making of the Partial Offer was subject to the satisfaction of the Pre-Condition, being the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. Reference is also made to the announcement of the Offeror dated 21 June 2024 in relation to the update on the Partial Offer. As disclosed in such announcement, on 21 June 2024, the Offeror announced that the Pre-Condition has been satisfied on 21 June 2024.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all non-executive Directors who have no direct or indirect interest in the Partial Offer, namely Mr. Li Jerry Y., Mr. Zhu Minghui, Dr. Cheng Vincent, Mr. Yang Qiang and Ms. Zhang Shiqing) has been established by the Company in accordance with the Takeovers Code to give a recommendation to the Qualifying Shareholders as to whether the terms of the Partial Offer are fair and reasonable, and as to acceptance of the Partial Offer. We, China Harbour International Capital Limited (“**China Harbour**”), have been appointed by the Company as the Independent Financial Adviser in accordance with of the Takeovers Code to advise the Independent Board Committee in respect of the Partial Offer. Our appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not associated with the Company, the Offeror, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Partial Offer to the Independent Board Committee and the Qualifying Shareholders. There was no engagement between the Company and China Harbour in the last two years.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Response Document and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Response Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made as at the Latest Practicable Date. Should there be any subsequent material changes to such information during the Offer Period, the Company will inform the Qualifying Shareholders as soon as possible in accordance with the Takeovers Code. The Qualifying Shareholders shall

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

also be informed as soon as possible if we become aware of any material changes to such information contained or referred to herein and our opinion after the Latest Practicable Date and up to the close of the Partial Offer. We have assumed that all the opinions and representations made by the Directors in the Response Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that to their knowledge after making reasonable enquires, no material facts have been omitted from the information provided and referred to in the Response Document.

In formulating our advice and recommendation, we have reviewed, among others: (i) the information and facts contained or referred to in this Response Document; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; (iv) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) and 31 December 2022 (the “**2022 Annual Report**”); and (v) other announcements published by the Company on website of the Stock Exchange up to the Latest Practicable Date. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Response Document were true, accurate and complete in all respects as at the date thereof and may be relied upon.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, the Offeror or their respective parties acting, or presumed to be acting, in concert with any of them.

In relation to the Partial Offer, we have not considered the tax implications on the Qualifying Shareholders of the acceptance or non-acceptance of the Partial Offer since these depend on their individual circumstances. In particular, the Qualifying Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee and the Qualifying Shareholders solely in connection with their consideration of the Partial Offer, and except for its inclusion in the Response Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice with regard to the Partial Offer, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

As set out in the Letter from the Board, the principal activities of the Group are manufacturing and sales of wine products.

Set out below are (i) the summarised consolidated income statements of the Group for the years ended 31 December 2023, 2022 and 2021 as extracted from the 2023 Annual Report and 2022 Annual Report and (ii) the summarised consolidated income statements of the Group for the six months ended 30 June 2023 and 2022 as extracted from the 2023 Interim Report.

(i) Summary of consolidated statement of profit or loss

	For the year ended			For the six months ended	
	31 December		2021	30 June	
	2023	2022		2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	189,139	146,118	208,371	75,671	67,651
Gross profit	28,149	35,874	67,395	23,138	23,259
(Loss)/profit before tax	(70,806)	(27,554)	17,216	(1,619)	4,474
(Loss)/profit for the year/period	(70,806)	(27,554)	17,216	(1,619)	4,474
Total comprehensive (expense)/income					
for the year attributable to:					
Owners of the Company	(80,199)	(26,403)	11,336	(5,119)	407
Non-controlling interests	9,393	(1,151)	5,880	3,500	4,067

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for the year ended 31 December 2022 and the year ended 31 December 2023

As set out in the 2023 Annual Report, the Group recorded revenue of approximately RMB189.1 million for the year ended 31 December 2023, representing an increase of approximately 29.4% from approximately RMB146.1 million for the year ended 31 December 2022, while the Group's gross profit amounted to approximately RMB28.1 million for the year ended 31 December 2023 compared to approximately RMB35.9 million for the year ended 31 December 2022, representing a decrease of approximately 21.7%. The increase in the Group's total cost of sales was mainly due to the increase in the Group's revenue and the write-off of certain obsolete and slow-moving inventories.

Loss for the year attributable to the owners of the Company amounted to approximately RMB80.2 million for the year ended 31 December 2023 compared to approximately RMB26.4 million for the year ended 31 December 2022.

The year-on-year increase in loss for the year attributable to the owners of the Company was primarily due to the (i) decrease in gross profit attributable to the write-off of certain obsolete and slow-moving inventories; (ii) increase in cost of raw materials; (iii) increase in selling and distribution expenses; (iv) increase in administrative and other operating expenses due to the provision for expected credit losses on trade and other receivables; and (v) increase in impairment loss on property, plant and equipment.

Financial performance for the year ended 31 December 2021 and the year ended 31 December 2022

As set out in the 2022 Annual Report, the Group recorded revenue of approximately RMB146.1 million for the year ended 31 December 2022, representing a decrease of approximately 29.9% from approximately RMB208.4 million for the year ended 31 December 2021, while the Group's gross profit amounted to approximately RMB35.9 million for the year ended 31 December 2022 compared to approximately RMB67.4 million for the year ended 31 December 2021, representing a decrease of approximately 46.7%. The decrease was mainly due to (1) the decreased in sales of products with higher gross profit affected by the pandemic and weak consumption desire of the residents, which correspondingly affected the overall gross profit of the Group; (2) the decrease in production and sales volume but no corresponding adjustment in fixed expenses, including depreciation of property, plant and equipment and right-of-use assets, leading to the increase in the unit cost allocated to each product and the decrease in the gross profit; (3) a provision of approximately RMB7.3 million for impairment of inventories (included in cost of sales) during the year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loss for the year attributable to the owners of the Company amounted to approximately RMB26.4 million for the year ended 31 December 2022 compared to profit for the year attributable to the owners of the Company of approximately RMB11.3 million for the year ended 31 December 2021.

The year-on-year increase in loss for the year attributable to the owners of the Company was primarily due to the (i) decrease in sales of wine products; (ii) write-off of certain obsolete and unsalable inventories; (iii) provision on impairment losses for right-of-use assets, property, plant and equipment and expected credit losses on trade receivables; and (iv) a significant increase in selling and distribution expenses.

Financial performance for the six months ended 30 June 2022 and the six months ended 30 June 2023

As set out in the 2023 Interim Report, the Group recorded revenue of approximately HK\$75.7 million for the six months ended 30 June 2023, representing an increase of approximately 11.9% from approximately HK\$67.7 million for the six months ended 30 June 2022, while the Group's gross profit amounted to approximately HK\$23.1 million for the six months ended 30 June 2023 compared to approximately HK\$23.3 million for the six months ended 30 June 2022, representing a decrease of approximately 0.5%.

Loss for the period attributable to the owners of the Company amounted to approximately HK\$5.1 million for the six months ended 30 June 2023 compared to profit amounted to approximately HK\$0.4 million for the six months ended 30 June 2022. The period-on-period decrease in loss for the period attributable to the owners of the Company was primarily due to significant increase in selling and distribution expenses by approximately HK\$11.5 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Summary of consolidated statement of financial position of the Group

	As at 31 December			As at 30 June	
	2023	2022	2021	2023	2022
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Non-current assets	199,743	223,517	216,924	223,080	223,517
Current assets	353,691	383,557	428,915	394,285	383,557
Total assets	553,434	607,074	645,839	617,365	607,074
Non-current liabilities	3,383	159	786	172	159
Current liabilities	52,666	39,209	66,310	51,106	39,209
Total liabilities	56,049	39,368	67,096	51,278	39,368
Net assets	497,385	567,706	578,743	566,087	567,706
Net assets attributable to:					
Owners of the Company	403,920	483,634	493,520	478,515	483,634
Non-controlling interests	93,465	84,072	85,223	87,572	84,072

We noted from the 2023 Annual Report that the Group recorded net assets attributable to owners of the Company of approximately RMB403.9 million as at 31 December 2023 compared to approximately RMB483.6 million as at 31 December 2022.

Total assets of the Group amounted to approximately RMB553.4 million as at 31 December 2023 and approximately RMB607.1 million as at 31 December 2022, respectively. As at 31 December 2023, total assets of the Group mainly comprised of (i) property, plant and equipment of approximately RMB108.7 million as at 31 December 2023 compared to approximately RMB141.2 million as at 31 December 2022; (ii) inventories of approximately RMB132.8 million as at 31 December 2023 compared to approximately RMB170.3 million as at 31 December 2022; (iii) trade receivables approximately RMB117.2 million as at 31 December 2023 compared to approximately RMB132.5 million as at 31 December 2022; and (iv) bank and cash balances of approximately RMB95.5 million as at 31 December 2023 compared to approximately RMB70.9 million as at 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total liabilities of the Group amounted to approximately RMB56.0 million as at 31 December 2023 and approximately RMB39.4 million as at 31 December 2022, respectively. As at 31 December 2023, total liabilities of the Group mainly comprised of (i) trade payables of approximately RMB8.9 million as at 31 December 2023 compared to approximately RMB2.2 million as at 31 December 2022; (ii) other payables and accruals of approximately RMB18.7 million as at 31 December 2023 compared to approximately RMB20.0 million as at 31 December 2022; (iii) current tax liabilities of approximately RMB10.0 million as at 31 December 2023 compared to approximately RMB10.0 million as at 31 December 2022; and (iv) amount due to a substantial shareholder of approximately RMB13.5 million as at 31 December 2023 compared to approximately RMB6.3 million as at 31 December 2022.

2. Overview of the economy and wine market in the PRC

According to the National Bureau of Statistics of China, China's gross domestic product (GDP) in 2023 grew by 5.2% year-on-year to exceed RMB126 trillion, and the consumer price index (CPI) rose by 0.2% year-on-year. However, the CPI fell by 0.3% year-on-year in December 2023, marking the third consecutive month of year-on-year decline. Prices remained at a low level, which, to a certain extent, reflecting insufficient effective demand. In 2023, the total retail sales of consumer goods amounted to RMB47.1 trillion, representing an increase of 7.2% over the previous year.

2023 was a complex and volatile year for global economy, with inflationary pressures continuing to plague Europe and the United States. The ongoing Russia-Ukraine conflict has kept commodity and food prices at high levels. In addition, geopolitical tensions have disrupted major shipping routes in the Middle East, affecting trade logistics.

In China, there were hopes that the economic recovery following the easing of the COVID-19 pandemic would bring opportunities to the consumer sector. However, the economic recovery turned out to be slower than expected, and the downward pressure on the property sector and credit crisis of some leading property developers further dampened market confidence in the recovery.

Although China's economy maintained a growth rate of 5.2% in 2023, overall consumer sentiment has become more cautious, and multiple manufacturing industries were facing challenges such as shrinking demand and capital shortages, which has prevented some enterprises' operations from fully recovering to pre-epidemic levels.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the data released by the General Administration of Customs of China, for the period from January to December 2023, the volume of imported wine nationwide was 243 million liters, representing a year-on-year decrease of 25.67%, and the import value was US\$1,082 million (RMB7,786 million), representing a year-on-year decrease of 19.41%, both showing a relatively significant decline.

From January to December 2023, the total production of winemakers above designated size in China was 143,000 kiloliters, representing a year-on-year increase of 2.9%.

Overall, the Chinese wine market continued its downward trend from the past few years. Demand for higher-priced premium wines weakened significantly due to uncertainties surrounding the macroeconomic outlook.

3. Background and intention of the Offeror and reasons for the Partial Offer

(a) Information of the Offeror

As set out in the “Letter from Gaoyu Securities” contained in the Offer Document, the Offeror, age 34, is a businessman in the PRC, with his businesses covering auto parts manufacturing, venture capital, equity investment, etc. He worked as a research analyst at the investment banking department of ICBC International Capital Limited during year 2015, and then founded an investment company in 2017, Bohan Investment (Shenzhen) Co., Ltd.* (伯翰投資(深圳)有限公司), in Shenzhen, China, with around 10 years of experience in the field of venture capital and finance. He is currently the controlling shareholder, the executive director and the general manager of Bohan Investment (Shenzhen) Co., Ltd. The company was established in 2017 in the PRC and mainly engaged in investment business, directly and indirectly investing in more than 10 high-tech enterprises including both private and listed companies such as BYD Semiconductor Co., Ltd.* (比亞迪半導體股份有限公司) and other IT related companies. Further details are set out in the “Letter from Gaoyu Securities” contained in the Offer Document.

(b) Reasons for the Partial Offer and intention of the Offeror

As set out in the “Letter from Gaoyu Securities” contained in the Offer Document, the Offeror has certain experience in investing in consumer goods industry and invested in Shenzhen Ledi Culture Co., Ltd.* (深圳市樂的文化股份有限公司), an amusement operation chain enterprise group that focuses on creating indoor amusement interactive spaces for kids. It is headquartered in Shenzhen, Guangdong Province. Its business operations include theme parks, parent-child entertainment, casual dining, electronic games, animation and trendy entertainment, etc.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To diversify his investment, the Offeror would like to extend his investments to the liquor industry. He will consider exploring new liquor business opportunities for the Company should the Partial Offer be completed, ultimately achieves a long-term sustainable development of the Company and creates additional values for himself as well as other Shareholders. After the completion of the Partial Offer, the Offeror will be the third largest shareholder of the Company and he will introduce or refer experienced and knowledgeable employees and management to the board and management of the Company or may also refer business or sales to the Company. With the investment experiences and business networks of the Offeror, he hopes to contribute to long-term sustainable development of the Company and creates value for himself as well as other Shareholders. The Offeror is also optimistic about the liquor industry in the PRC. He considers China's social activity and dining habits have gradually recovered after the coronavirus pandemic. He is confident that the Company can sooner or later achieving a higher sales target, may enter the top 20 domestic liquor companies, and become one of the most valuable liquor companies in the PRC.

Further details are set out in the "Letter from Gaoyu Securities" contained in the Offer Document.

It is stated in the "Letter from Gaoyu Securities" contained in the Offer Document that the Offeror (1) will consider exploring new liquor business opportunities for the Company; (2) will introduce or refer experienced and knowledgeable employees and management to the board and management of the Company; or (3) may also refer business or sales to the Company should the Partial Offer be completed. Considering that (1) the Offer Document lacks crucial information, such as (i) the specifics of potential new liquor business opportunities, (ii) the qualifications and experience of the proposed employees and management, and (iii) the details, nature, and terms of the business or sales to be referred to the Company, and (2) the Offeror possesses limited experience in the liquor industry, we are of the view that it is uncertain whether all of these are in the interests of the Company and the Qualifying Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Public Float of the Company

As at the Latest Practicable Date, the Company has a public float of approximately 61.05% of the Shares in issue. Assuming (i) full acceptances of the number of Offer Shares under the Partial Offer by the Qualifying Shareholders; and (ii) that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date, the Company will have a public float of above 25% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules. As required to be disclosed pursuant to Rule 14.81(1) of the Listing Rules, the Offeror intends that the Company remains listed on the Stock Exchange. The Offeror undertakes to the Stock Exchange to take appropriate steps if required to ensure that sufficient public float exists in the Shares as a result of the Partial Offer. Further details are set out in the “Letter from Gaoyu Securities” contained in the Offer Document.

(d) Compulsory acquisition

The Offeror will not have the power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Partial Offer after the close of the Partial Offer. Further details are set out in the “Letter from Gaoyu Securities” contained in the Offer Document.

(e) Response of the Company on the Offeror’s intention in relation to the Partial Offer

As set out in the Response Document, the Partial Offer are uninvited and as at the Latest Practicable Date, the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group. Further, no concrete or detailed plan was provided by the Offeror in the Offer Document for the business of the Group after completion of the Partial Offer. No identity or credentials of the employees and management to be referred to the Board by the Offeror after completion of the Partial Offer was provided in the Offer Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms and conditions of the Partial Offer

The Partial Offer is being made by Gaoyu Securities, for and on behalf of the Offeror, in compliance with the Takeovers Code on the basis set out below:

For each Offer Share HK\$0.60 in cash

Acceptance of the Partial Offer by any Qualifying Shareholder will constitute a warranty by such Qualifying Shareholder to the Offeror that the Shares sold by it to the Offeror under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Final Closing Date. The Company confirms that as at the Latest Practicable Date, it has not declared any dividends or other distributions which remain unpaid and does not have any intention to make, declare or pay any further dividend or make other distributions between the Latest Practicable Date and the Final Closing Date.

If, after the Latest Practicable Date and up to the Final Closing Date, any dividend and distributions is declared in respect of the Offer Shares and the record date of which falls on or before the Final Closing Date, the Offeror reserves the right to reduce the Offer Price by an amount equal to the amount of such dividend or distributions declared, made or paid in respect of each Offer Share, in which case any reference in the Offer Document, the Response Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

Condition to the Partial Offer

The Partial Offer is subject to the Condition that valid acceptances being received (and not, where permitted, withdrawn) in respect of a minimum of 30,160,000 Offer Shares at or before 4:00 p.m. (Hong Kong time) on the First Closing Date, which shall be at least 28 days following the Despatch Date of the Offer Document issued by the Offeror in respect of the Partial Offer, or such later date as may be extended by the Offeror in accordance with the requirements of the Takeovers Code.

Further details of the Partial Offer including, among other things, the expected timetable and the terms and procedures of acceptance of the Partial Offer are set out in the sections headed “Expected Timetable”, “Letter from Gaoyu Securities”, “Further terms of the Partial Offer and procedures of acceptance” and appendix I to the Offer Document and the form(s) of acceptance. The Qualifying Shareholders are urged to read the aforesaid documents in full.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Evaluation of the Offer Price

(a) *Comparison of the Offer Price against historical Share price*

The Offer Price of HK\$0.60 per Offer Share represents:

- (i) a premium of approximately 11.1% over the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) no premium over or discount to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 12 June 2024, being the Last Trading Day;
- (iii) a premium of approximately 0.67% over the average closing price of approximately HK\$0.596 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 6.83% to the average closing price of approximately HK\$0.644 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 4.31% to the average closing price of approximately HK\$0.627 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 0.53% over the average closing price of approximately HK\$0.597 per Share as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 2.13% over the average closing price of approximately HK\$0.588 per Share as quoted on the Stock Exchange for the ninety (90) consecutive trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 17.03% to the average closing price of approximately HK\$0.723 per Share as quoted on the Stock Exchange for the one hundred and eighty (180) consecutive trading days up to and including the Last Trading Day; and

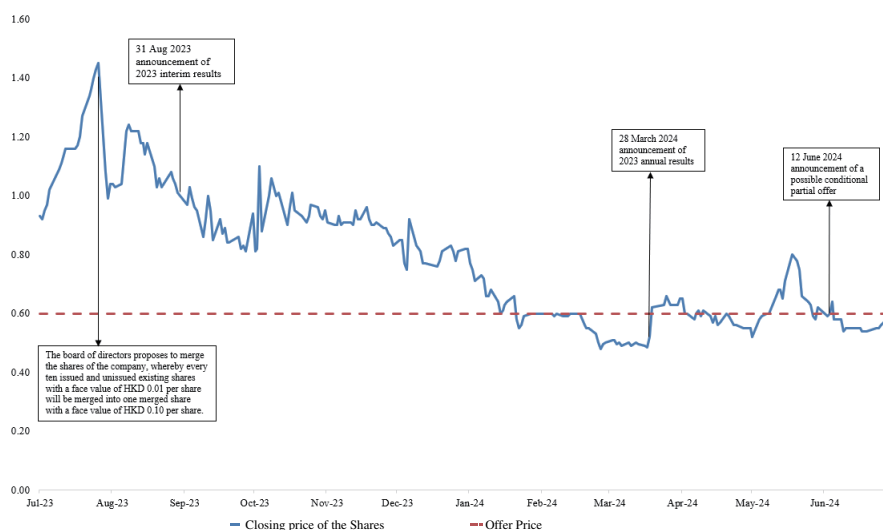
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ix) a discount of approximately 59.41% to the audited consolidated net asset value of the Group attributable to the Shareholders per Share as at 31 December 2023 of approximately HK\$1.48 (based on the total number of Shares in issue as at 31 December 2023 and the audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2023, as disclosed in the 2023 Annual Report).

(b) Analysis on historical Share price performance

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in the closing price per Share during the period from 10 July 2023, being approximately 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Share Price Review Period**”), which is commonly adopted for share price analysis. We consider that a period of 12 months is adequate and long enough to illustrate the recent price movements and covered the seasonal factors of the Shares for conducting a reasonable comparison between the Offer Price and the closing price of the Shares for assessing the reasonableness and fairness of the Offer Price.

Share price chart during the Share Price Review Period



Source: www.hkex.com.hk

Note: The Company published an announcement to propose to consolidate every ten then issued and unissued shares into one consolidated share (the “**Share Consolidation**”) after trading hours on 4 August 2023. The Share Consolidation took effect on 12 September 2023. Accordingly, the closing prices of the Shares during the period from 3 July 2023 to 11 September 2023 have been adjusted to incorporate the effect of the Share Consolidation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

There were 159 trading days out of 227 trading days that the closing price per Share was higher than the Offer Price during the period from 10 July 2023 to the Last Trading Day. As illustrated in the above chart, the highest and lowest closing prices per Share were HK\$1.45 on 4 August 2023 and HK\$0.48 on 6 March 2024 respectively during the Share Price Review Period.

As depicted in the above chart, we noted that from July to early August 2023, the Company's stock price has been on an upward trend, rising from HK\$0.79 on 3 July 2023 to HK\$1.45 on 4 August 2023. The Company published an announcement to propose the Share Consolidation to consolidate every ten then issued and unissued shares into one consolidated share after trading hours on 4 August 2023. Closing prices of the Shares slumped from HK\$1.45 on 4 August 2023 to HK\$1.08 on 7 August 2023 by approximately 25.5%. There was a downward trend of closing prices of the Shares since then and the closing price of the Shares hit the lowest price of HK\$0.48 per Share on 6 March 2024.

After experiencing a long period of stock price decline, the Company experienced a certain degree of stock price rebound from late March 2024 to early April 2024, rising from HK\$0.485 on 26 March 2024 to HK\$0.66 on 3 April 2024. Save for the publication of annual results announcement of the Company for the year ended 31 December 2023 after trading hours on 28 March 2024, the Company did not publish any announcement during the period from 26 March 2024 to 3 April 2024. The closing price of the Shares slightly increased from HK\$0.62 on 28 March 2024 to HK\$0.63 on 2 April 2024 (the trading day immediately after publication of 2023 annual results announcement) by approximately 1.6%. There was another stock price rebound in May 2024. Share price surged from HK\$0.52 on 10 May 2024 to HK\$0.80 on 27 May 2024. The Company did not publish any announcement during the period from 10 May 2024 to 27 May 2024. We have made enquired with the Management and were advised that the Directors were not aware of any specific reasons for the surge of Share price during this period.

The Announcement regarding the Partial Offer was published after trading hours on 12 June 2024. Although the Share price responded positively and increased from HK\$0.6 on 12 June 2024 to HK\$0.64 on 13 June 2024 by approximately 6.7%, the Share price dropped thereafter. The closing price of the Shares was HK\$0.54 on the Latest Practicable Date.

The Company experienced a decline in its stock price in the second half of 2023 primarily due to the share consolidation and poorer operating performance as a result of the write-off of certain obsolete and slow-moving inventories for the year. Thereafter, the stock price of the Company is in a relatively stable state, ranging between HK\$0.5 and HK\$0.6, unless there is further deterioration in performance. Having considered that (i) there were two rounds of rebound of Share price in 2024;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) the Offer Price represents a discount of approximately 23.7% to the Average Closing Price of HK\$0.79 of the Shares during the Share Price Review Period; and
 (iii) the Offer Price represents a discount of approximately 59.4% to the consolidated net assets attributable to owners of the Company as at 31 December 2023, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

(c) Our analysis on historical trading volume and liquidity

We have also reviewed the historical trading volume of the Shares during the Share Price Review Period with details in the table below.

Month/period	Number of trading days <i>(Note 1)</i>	Monthly total trading volume <i>(Note 2)</i>	Approximate % of monthly total trading volume of the Shares to total issued Shares <i>(Note 3)</i>	Approximate % of the average monthly trading volume to the total number of Shares held by the public <i>(Note 4)</i>
2023				
July (from 10 July 2023)	15	8,658,600	2.94	4.85
August	23	13,597,800	4.62	7.62
September	19	4,006,000	1.36	2.24
October	20	6,733,600	2.29	3.77
November	22	6,072,000	2.01	3.26
December	19	19,798,400	6.57	10.64
2024				
January	22	7,979,000	2.65	4.29
February	19	3,846,800	1.28	2.07
March	20	7,150,759	2.37	3.84
April	20	2,419,800	0.80	1.30
May	21	8,406,400	2.79	4.52
June	19	27,789,400	9.22	14.94
July (up to the Latest Practicable Date)	6	1,727,200	0.57	0.93
Average (excluding July 2024)	20	9,704,880	3.24	5.28
Maximum (excluding July 2024)	23	27,789,400	9.22	14.94
Minimum (excluding July 2024)	15	2,419,800	0.80	1.30

Source: www.hkex.com.hk

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Number of trading days of the Shares represents the number of trading days during the month or period which excluded any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. The Company published an announcement to propose the Share Consolidation to consolidate every ten then issued and unissued shares into one consolidated share after trading hours on 4 August 2023. The Share Consolidation took effect on 12 September 2023. Accordingly, the monthly total trading volume of the Shares during the period from July 2023 to September 2023 have been adjusted to incorporate the effect of the Share Consolidation.
3. The calculation is based on the monthly total trading volume of the Shares divided by the total issued Shares at the end of each month.
4. The calculation is based on the monthly total trading volume of the Shares divided by the total number of Shares held by the public Shareholders at the end of each month as advised by the Company.

As illustrated in the above table, the monthly trading volume of the Shares was generally below 5% of the total issued Shares and 10% of the Shares held by the public Shareholders expect for the months of December 2023 and June 2024. On 1 December 2023, the Company published the next day disclosure return regarding the issue of approximately 7.5 million consideration Shares. The Company further published an announcement for the grant of approximately 29.4 million Share options with an exercise price of HK\$0.92 per Share after trading hours on 15 December 2023. Supplemental announcements were published by the Company regarding the grant of Share options in December 2023. Save for these announcements of the Company, the Company advises that the Company is not aware of any reasons for the higher trading volume in December 2023.

The announcement regarding the Partial Offer was published after trading hours on 12 June 2024. The total number of Shares traded after the publication of the Partial Offer announcement (i.e. from 13 June 2024 to 28 June 2024) amounted to approximately 5 million Shares, representing approximately 18.1% of the monthly total trading volume in June 2024. Approximately 81.9% of the monthly total trading volume in June 2024 was carried out prior to the publication of the announcement regarding the Partial Offer, and the daily trading volume of the Shares on 11 June 2024 and 12 June 2024 were approximately 3.32 million and 17.54 million Shares respectively with an aggregate of trading volume of approximately 20.86 million Shares for these two trading days. These 20.86 million Shares represented approximately 75.1% of the monthly total trading volume in June 2024. The high monthly total trading volume in June 2024 might be due to market speculations of certain corporate actions relating to the Company such as the Partial Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Save for (1) announcement dated 12 June 2024 regarding the change in chairman of the Board; (2) announcement regarding the Partial Offer dated 12 June 2024; and (3) announcement for the appointment of an executive director and independent non-executive directors of the Company dated 14 June 2024, the Company advises that the Company is not aware of any reasons for the higher trading volume in June 2024.

Taking into account the low trading volume of the Shares during the Share Price Review Period, it can be inferred that the trading volume is low. Considering the historical thin trading volume of the Shares during the Share Price Review Period and the Offeror's intention to acquire 10% of the Company's issued share capital, it is likely to create upward pressure on the market price of Shares.

(d) Analysis on market comparable companies

(i) P/S Ratio Analysis

With a view to assess the fairness and reasonableness of the terms of the Offer Price, we have considered the price-to-sales ratio (the "**P/S Ratio**") and the price-to-earnings ratio (the "**P/E Ratio**") which are commonly adopted trading multiple analyses in assessing the financial valuation of a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market.

We consider that the price-to-earnings approach is not applicable because the Company still recorded net loss attributable to owners of the Company during the latest financial year.

Given that (a) the majority revenue of the Group is generated from manufacturing and sales of wine products for the year ended 31 December 2023; and (b) the Company primarily focuses on the Greater China Area, we have attempted to identify the comparable companies (the "**Comparable Companies**") which are (i) listed on the Stock Exchange and (ii) principally engaged in wine business (except for baijiu) in the Greater China Area, with generally over 90% of the revenue for latest full financial year being generated from the aforesaid business. Based on the above selection criteria, we have identified 8 Comparable Companies which are exhaustive based on our research on the website of the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having consider the Comparable Companies to be highly relevant for comparison purpose as the Comparable Companies (i) are engaged in business similar to the Group; (ii) are listed on the Stock Exchange and hence share similar market sentiment of the Company; (iii) the main source of revenue is derived from the domestic market in China; and (iv) represent an exhaustive list of companies meeting the aforementioned criteria, we are of the view that the Comparable Companies are comparable and representative for our analysis purpose.

We set out our findings in the following table:

	Company Name (Stock Code)	Principal Activities	Market Capitalisation (HK\$' million) (Note 1&2)	P/S Ratio (Note 3)
1	Tsingtao Brewery Co. Ltd. (168)	Beer producer and distributor	64,935.77	1.73
2	San Miguel Brewery Hong Kong Ltd. (236)	Beer related business	351.16	0.47
3	China Resources Beer (Holdings) Co. Ltd. (291)	Beer businesses	84,019.60	1.96
4	Dynasty Fine Wines Group Ltd. (828)	Manufacture and distribution of wine products	394.35	1.50
5	Major Holdings Ltd. (1389)	Distribution of wine and spirit products and wine accessory products	102.00	1.62
6	Grace Wine Holdings Ltd. (8146)	Production and sales of wine products	83.26	1.16
7	Palinda Group Holdings Ltd. (8179)	Wine business	105.27	0.32
8	Wine's Link International Holdings Ltd. (8509)	Wholesale and retail of wine products	154.00	0.71
The Company	China Tontine Wines Group Ltd. (389)	Production and sale of wines	180.94	0.87
			AVERAGE	1.15
			MEDIAN	1.16
			MAXIMUM	1.96
			MINIMUM	0.32

Source: www.hkex.com.hk

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Latest Practicable Date.
2. The market capitalisation of the Company is calculated based on the Offer Price of HK\$0.60 and the number of issued Shares as at the Latest Practicable Date (i.e. 301,561,800 Shares).
3. The P/S Ratio is calculated as market capitalisation divided by revenue as stated in the latest published annual results announcements prior to the Latest Practicable Date.

As illustrated in the table above, we noticed that three companies have relatively low P/S Ratios, and one of the main reasons for this is that two of these companies are listed on the GEM, where their stock prices are at relatively lower levels.

The P/S Ratios of the Comparable Companies range from approximately 0.32 times to 1.96 times, with an average of approximately 1.15 times and a median of approximately 1.16 times. We noted that although the Company's P/S Ratio of approximately 0.87 times falls within the range of the P/S Ratios of the Comparable Companies, it is lower than the average and the median of the P/S Ratios of the Comparable Companies. Therefore, we consider the Offer Price is not fair and reasonable in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Net assets value (“NAV”) Analysis*

We have also calculated the price to NAV ratio for the selected Comparable Companies, as detailed in the following table:

	Company Name (Stock Code)	Principal Activities	NAV per share attributable to owners of the company (HK\$)	Share Price as at Latest Practicable Date (HK\$)	Discount/ Premium of Price to NAV Ratio (%)
1	Tsingtao Brewery Co. Ltd. (168)	Beer producer and distributor	22.20	47.60	114.4
2	San Miguel Brewery Hong Kong Ltd. (236)	Beer related business	1.86	0.94	-49.6
3	China Resources Beer (Holdings) Co. Ltd. (291)	Beer businesses	10.31	25.90	151.3
4	Dynasty Fine Wines Group Ltd. (828)	Manufacture and distribution of wine products	0.20	0.28	38.3
5	Major Holdings Ltd. (1389)	Distribution of wine and spirit products and wine accessory products	0.22	0.18	-17.1
6	Grace Wine Holdings Ltd. (8146)	Production and sales of wine products	0.37	0.10	-71.7
7	Palinda Group Holdings Ltd. (8179)	Wine business	0.31	0.09	-71.3
8	Wine’s Link International Holdings Ltd. (8509)	Wholesale and retail of wine products	0.74	0.39	-47.9
The Company	China Tontine Wines Group Ltd. (389)	Production and sale of wines	1.48	0.6 (Note)	-59.4
		AVERAGE	4.19	8.45	-1.4
		MEDIAN	0.74	0.39	-47.9
		MAXIMUM	22.20	47.60	151.3
		MINIMUM	0.20	0.09	-71.7

Source: www.hkex.com.hk

Note: Based on the Offer Price of HK\$0.60 per Share

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, we observe that the Company's price to NAV ratio at a discount of 59.4% is significantly lower than the average discount of 1.4% and also lower than the median discount of 47.9% of the Comparable Companies. This indicates that the Company's stock price is undervalued relative to its NAV. Besides, it is observed that two GEM-listed companies, Grace Wine Holdings Ltd. (8146) and Palinda Group Holdings Ltd. (8179), have notably low price to NAV ratios. This is in line with the expected market behavior for GEM stocks.

Furthermore, when considering the cash per share, Grace Wine Holdings Ltd. (8146) has cash of HK\$0.058 per share, Palinda Group Holdings Ltd. (8179) has cash of HK\$0.003 per share, but the Company has cash of HK\$0.349 per share. It is also worth noting that the Company has no outstanding bank loans or borrowings.

Having considered that (i) the Offer Price represents a discount of approximately 59.4% to the consolidated net assets attributable to owners of the Company as at 31 December 2023; (ii) the Company's price to NAV ratio (based on the Offer Price) is lower than the average and the median of the price to NAV ratios of the Comparable Companies; and (iii) the Shares had been recently traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share during one (1)-month period prior to the Last Trading Day which the discounts to the then net asset value per Share, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

RECOMMENDATIONS

Based on our analyses above, although the Offer Price of HK\$0.60 per Offer Share represents a premium of approximately 7.1% over the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date, having considered:

- (i) that (1) the Offer Document lacks crucial information, such as (a) the specifics of potential new liquor business opportunities, (b) the qualifications and experience of the proposed employees and management, and (c) the details, nature, and terms of the business or sales to be referred to the Company, and (2) the Offeror possesses limited experience in the liquor industry;
- (ii) the Offer Price represents a discount of approximately 23.7% to the Average Closing Price of the Shares during the Share Price Review Period, and following a decline in stock price of the Company in the second half of 2023 primarily due to share consolidation and poorer operating performance as a result of the write-off of certain obsolete and slow-moving inventories for the year, the stock price of the Company is in a relatively stable state, ranging between HK\$0.5 and HK\$0.6;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Company's P/S Ratio (based on the Offer Price) is lower than the average and the median of the P/S Ratios of the Comparable Companies; and
- (iv) the Offer Price represents a discount of approximately 59.4% to the consolidated net assets of the Company as at 31 December 2023, and the Company's price to NAV ratio (based on the Offer Price) is lower than the average and the median of the price to NAV ratios of the Comparable Companies,

we are of the opinion that, on balance, the terms of the Partial Offer are not fair and reasonable so far as the Qualifying Shareholders are concerned nor in the interests of the Qualifying Shareholders as a whole. As such, we recommend the Independent Board Committee to advise the Qualifying Shareholders not to accept the Partial Offer.

Taking into account the low trading volume of the Shares during the Share Price Review Period, it can be inferred that the trading volume is low. Considering the historical thin trading volume of the Shares during the Share Price Review Period and the Offeror's intention to acquire 10% of the Company's issued share capital, it is likely to create upward pressure on the market price of Shares.

The Qualifying Shareholders are strongly advised that the decision not to accept the Partial Offer or to hold their investments in the Shares is subject to individual circumstances and investment objectives. As different Qualifying Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Partial Offer. The Qualifying Shareholders are also reminded to read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document, the appendices to the Offer Document and the relevant Acceptance Form(s), if they wish to accept the Partial Offer.

Yours faithfully,

For and on behalf of

China Harbour International Capital Limited

Frankie Yan	Tony Wang	Danny Lin
<i>Managing Director</i>	<i>Managing Director</i>	<i>Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Frankie Yan is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of China Harbour International Securities Limited to carry out type 1 (dealing in securities) regulated activity and a responsible officer of China Harbour International Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 25 years of experience in corporate finance industry.

Mr. Tony Wang is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of China Harbour International Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 10 years of experience in corporate finance industry.

Mr. Danny Lin is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of China Harbour International Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 8 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 respectively, as extracted from the published annual reports of the Company for the relevant years.

	For the year ended 31 December		
	2023	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	189,139	146,118	208,371
Cost of sales	<u>(160,990)</u>	<u>(110,244)</u>	<u>(140,976)</u>
Gross profit	28,149	35,874	67,395
Other income, gains and losses	(80)	4,270	3,707
Selling and distribution expenses	(38,842)	(33,698)	(15,812)
Administrative and other operating expenses	(47,068)	(36,100)	(39,159)
Impairment loss on property, plant and equipment	(19,858)	(7,776)	–
Impairment on right-of-use assets	(2,726)	(2,036)	–
Change in fair value of biological assets	10,264	12,049	4,299
Change in fair value of convertible bonds	–	–	(724)
Share-based payments	(485)	–	(2,334)
Finance costs	<u>(190)</u>	<u>(137)</u>	<u>(156)</u>
(Loss)/profit before tax	(70,806)	(27,554)	17,216
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit for the year	<u>(70,806)</u>	<u>(27,554)</u>	<u>17,216</u>
(Loss)/profit for the year attributable to:			
Owners of the Company	(80,199)	(26,403)	11,336
Non-controlling interests	<u>9,393</u>	<u>(1,151)</u>	<u>5,880</u>
	<u>(70,806)</u>	<u>(27,554)</u>	<u>17,216</u>

APPENDIX I**FINANCIAL INFORMATION**

	For the year ended 31 December		
	2023	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Total comprehensive (expense)/income for the year	<u>(70,806)</u>	<u>(27,554)</u>	<u>17,216</u>
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company	(80,199)	(26,403)	11,336
Non-controlling interests	<u>9,393</u>	<u>(1,151)</u>	<u>5,880</u>
	<u><u>(70,806)</u></u>	<u><u>(27,554)</u></u>	<u><u>17,216</u></u>
		(Restated)	
(Loss)/earnings per share			
Basic (RMB cents)	<u>(26.59)</u>	<u>(9.00)</u>	<u>0.55</u>
Diluted (RMB cents)	<u><u>(26.59)</u></u>	<u><u>(9.00)</u></u>	<u><u>0.47</u></u>
Dividends paid for the year	–	–	–
Dividends per share	<u>–</u>	<u>–</u>	<u>–</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023

The financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 respectively has been set out in the annual reports of the Company for the relevant years and is available on the website of the Company (www.tontine-wines.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) as specifically set out below:

- the annual report of the Company for the year ended 31 December 2021 (pages 104 to 172), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0407/2022040700682.pdf>

- the annual report of the Company for the year ended 31 December 2022 (pages 111 to 184), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701477.pdf>

- the annual report of the Company for the year ended 31 December 2023 (pages 106 to 172), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042902366.pdf>

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the reports of the auditors of the Company in respect of each of the three years ended 31 December 2021, 2022 and 2023 respectively.

3. INDEBTEDNESS STATEMENT OF THE GROUP

As at the close of business on 30 April 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Response Document, the Group had total indebtedness of approximately RMB27,721,039 as summarized below:

– Amount due to a substantial shareholder	RMB21,986,394
– Lease liabilities	RMB5,734,645

Save as aforesaid and apart from intra-group liabilities, normal trade payables and contract liabilities in the normal course of business, at the close of business on 30 April 2024, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE IN RESPECT OF THE GROUP

The Directors confirm that, save for the following matters, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group.

1) Strategic cooperation with 瀘州老窖新酒業有限公司 (Luzhou Laojiao New Wines Co., Ltd. (“Luzhou Laojiao New Wines”))

As stated in the announcement of the Company dated 29 May 2024 that on 29 May 2024, the Company entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with Luzhou Laojiao New Wines, an indirect wholly owned subsidiary of the Luzhou Laojiao Co., Ltd., a company listed in the Shenzhen Stock Exchange (stock code: 000568).

Luzhou Laojiao New Wines is established in Sichuan province and is mainly engaged in the production of craft beer, light liquor, Chinese fruit wine and distilled wine, and wine derivatives, a total of four types of products. By the virtue of the Strategic Cooperation Agreement, the Group intends to jointly develop new products, expand product ranges, enlarge the distribution channels and sales promotion with Luzhou Laojiao New Wines.

Further details were set out in the announcement of the Company dated 29 May 2024.

2) Change in Chairman of the Board

It was stated in the announcement of the Company dated 12 June 2024 that Mr. WANG Guangyuan, an executive Director, informed the Board to step down as the chairman of the Board, one of the authorised representatives of the Company under the Listing Rules and a member of the nomination committee of the Board with effect from 12 June 2024 due to his health condition.

Ms. WANG Lijun, an executive Director, was appointed by the Board to the office of the chairlady of the Board, an authorised representatives of the Company under the Listing Rules and a member of the nomination committee of the Board with effect from 12 June 2024.

Further details were set out in the announcement of the Company dated 12 June 2024.

3) Appointment of an executive Director and independent non-executive Directors

It was disclosed in the announcement of the Company dated 14 June 2024 that with effect from 14 June 2024, (i) Mr. Wang Junyao had been appointed as an executive Director; and (ii) Ms. Zhang Shiqing and Dr. Cheng Vincent had been appointed as independent non-executive Directors, respectively.

Further details were set out in the announcement of the Company dated 14 June 2024.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

China's economic growth target for 2024 is 5%, while the International Monetary Fund forecasts a global economic growth rate of 3.1% for 2024. As observed from the first quarter of this year, the international situation remained tense, with the Russia-Ukraine War and the Israeli-Palestinian conflict showing signs of escalation instead of easing, adding uncertainty to the global economy. China is actively seeking to improve its trade relations with western countries, but results are yet to be seen. The credit crisis of domestic real estate enterprises has not subsided, and the chain effect of declining housing prices will continue to weigh on the economic outlook.

The wine industry in the China is expected to remain under pressure due to weak consumption. Compared with other alcoholic beverages, wines in China have yet to develop into mass consumer goods, and per capita consumption is low, which has contributed to the continued downward trend of the market.

In response to the market situation, the Group has adjusted its marketing strategy by reducing its traditional marketing promotions and increasing its cooperation with other retail and food and beverage platforms for promotion of its products and consolidation of its brand awareness.

With regard to production processes, the Group will further tighten its cost control and strive to enhance its overall operational efficiency by cutting unit costs and expanding the sales volume of well-received products.

In the face of economic uncertainties and a sluggish wine market, the Group will maintain a prudent operating strategy to broaden income sources and reduce expenses, and seek to further strengthen its financial position to cope with changes in the market.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Response Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

As regards the information in this Response Document relating to the Offeror and parties acting in concert with him, the terms of the Partial Offer and the intention of the Offeror regarding the Group that has been compiled or summarised from the Offer Document, the Directors' responsibility is limited to the correctness and fairness of the extraction of such information and/or its reproduction or presentation but accept no further responsibility in respect of such information.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital and the issued share capital of the Company were as follows:

Authorised share capital:		HK\$
1,000,000,000	ordinary shares of HK\$0.1 each	100,000,000
Issued and paid-up share capital:		
301,561,800	ordinary shares of HK\$0.1 each	30,156,180

As at the Latest Practicable Date, the Company had outstanding share options (the “**Share Options**”) to subscribe for an aggregate of 29,405,480 Shares exercisable at an exercise price of HK\$0.92 per Share which were granted under the Company's share option scheme adopted by the Shareholders on 16 June 2023.

As at the Latest Practicable Date, the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the Shares and the Share Options.

All the Shares in issue are fully paid up and rank *pari passu* in all respects among themselves, including all rights in respect of dividends, voting and interest in capital.

The number of Shares in issue as at 31 December 2023, being the date to which the latest audited consolidated financial statements of the Group were made up, was 301,561,800.

Since 31 December 2023 and up to the Latest Practicable Date:

- (a) the Company had not issued any Shares, options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer rights to the holders thereof to subscribe for, convert or exchange into Shares) and had not entered into any agreement for the issue of any of such securities; and
- (b) no Shares had been issued or bought back by the Company or any of its subsidiaries.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this Response Document pursuant to the Takeovers Code, were as follows:

Shares

Name of Director	Name of Group member/associated corporation	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 3)
Wang Lijun	the Company	Beneficial owner	2,000,000 (L)	0.66%
Zhang Hebin	the Company	Beneficial owner	2,000,000 (L)	0.66%
Wang Junyao	the Company	Beneficial owner	3,940,000 (L)	1.31%
Li Jerry Y.	the Company	Interest of controlled corporations (Note 2)	69,517,872 (L)	23.05%
Zhu Minghui	the Company	Interest of controlled corporations (Note 2)	69,517,872 (L)	23.05%

Notes:

1. The letter “L” denotes long position in the Shares.
2. Up Mount International Limited is a company incorporated in the British Virgin Islands and is owned as to 51% by Mr. Wang Guangyuan and 49% by Sky Source International Investments Limited. Accordingly, Mr. Wang Guangyuan and Sky Source International Investments Limited are deemed to be interested in 49,517,872 Shares held by Up Mount International Limited by virtue of Part XV of the SFO. Sky Source International Investments Limited is a company incorporated in Samoa and is owned as to 50% by Mr. Li Jerry Y. and 50% by Mr. Zhu Minghui, who are non-executive Directors. Accordingly, they are deemed to be interested in all the Shares held by Up Mount International Limited through Sky Source International Investments Limited by virtue of Part XV of the SFO. Further, Sky Source International Investments Limited, as beneficial owner, holds 20,000,000 Shares, representing approximately 6.63% of total number of issued Shares. Mr. Li Jerry Y. and Mr. Zhu Minghui are deemed to be interested in the Shares held by Sky Source International Investments Limited under Part XV of the SFO.
3. The percentage of shareholding is calculated on the basis of 301,561,800 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or which were required to be disclosed in this Response Document pursuant to the Takeovers Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Capacity/Nature of interest	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 6)</i>
Up Mount International Limited	Beneficial owner <i>(Note 2)</i>	49,517,872 (L)	16.42%
Wang Guangyuan	Interest of a controlled corporation <i>(Note 2)</i>	49,517,872 (L)	16.42%
Zhang Min	Interest of spouse <i>(Note 3)</i>	49,517,872 (L)	16.42%
Sky Source International Investments Limited	Interest of a controlled corporation <i>(Note 2)</i>	49,517,872 (L)	16.42%
	Beneficial owner <i>(Note 4)</i>	20,000,000 (L)	6.63%
Bon Voyage Development Limited	Beneficial owner <i>(Note 5)</i>	40,000,000 (L)	13.26%
Huang Chuwu	Interest of a controlled corporation <i>(Note 5)</i>	40,000,000 (L)	13.26%
Wang Dongjun	Interest of a controlled corporation <i>(Note 5)</i>	40,000,000 (L)	13.26%
Liu Xinqiong	Interest of a controlled corporation <i>(Note 5)</i>	40,000,000 (L)	13.26%
Yu Xinxin	Beneficial owner	25,760,000 (L)	8.54%
Yan Shaohua	Beneficial owner	23,758,200 (L)	7.88%

Notes:

1. The letter “L” denotes long position in the Shares.
2. Up Mount International Limited is a company incorporated in the British Virgin Islands and is owned as to 51% by Mr. Wang Guangyuan and 49% by Sky Source International Investments Limited. Accordingly, Mr. Wang Guangyuan and Sky Source International Investments Limited are deemed to be interested in 49,517,872 Shares held by Up Mount International Limited by virtue of Part XV of the SFO. Sky Source International Investments Limited is a company incorporated in Samoa and is owned as to 50% by Mr. Li Jerry Y. and 50% by Mr. Zhu Minghui, who are non-executive Directors. Accordingly, they are deemed to be interested in all the Shares held by Up Mount International Limited through Sky Source International Investments Limited by virtue of Part XV of the SFO.
3. Ms. Zhang Min is the spouse of Mr. Wang Guangyuan and is therefore deemed to be interested in all the Shares held by Mr. Wang Guangyuan (through Up Mount International Limited) by virtue of Part XV of the SFO.
4. Sky Source International Investments Limited, as beneficial owner, holds 20,000,000 Shares, representing approximately 6.63% of total number of issued Shares. Mr. Li Jerry Y. and Mr. Zhu Minghui are deemed to be interested in the Shares held by Sky Source International Investments Limited under Part XV of the SFO.
5. Bon Voyage Development Limited is a controlled corporation of each of Huang Chuwu, Wang Dongjun and Liu Xinqiong. Accordingly, each of Huang Chuwu, Wang Dongjun and Liu Xinqiong is deemed to be interested in all the Shares held by Bon Voyage Development Limited by virtue of Part XV of the SFO.
6. The percentage of shareholding is calculated on the basis of 301,561,800 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF THE INTERESTS AND DEALINGS

- (a) Save for the interests of the Directors as disclosed in paragraph 3(a) of this Appendix, none of the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date and none of the Directors had dealt in any shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.
- (b) None of the subsidiaries of the Company and pension fund of any member of the Group or a person as specified in class (2) of the definition of “associate” or a person presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code had any interest in the shares, the convertible securities, warrants, options of the Company or any derivatives in respect of such securities as at the Latest Practicable Date, and no such person had dealt in any shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.
- (c) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code as at the Latest Practicable Date, and no such person had dealt in any shares, the convertible securities, warrants, options of the Company or derivatives in respect of such securities during the Relevant Period.
- (d) No shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities were managed on a discretionary basis by fund managers connected with the Company as at the Latest Practicable Date, and no such person had dealt in any shares, convertible securities, warrants, options of the Company or derivatives in respect of such securities during the Relevant Period.
- (e) None of the Company and the Directors had borrowed or lent any shares, convertible securities, warrants, options in the Company or derivatives in respect of such securities as at the Latest Practicable Date.
- (f) As at the Latest Practicable Date, there was no benefit in whatever form provided or to be provided to any Director as compensation for loss of office or otherwise in connection with the Partial Offer.

- (g) As at the Latest Practicable Date, there was no agreement or arrangement or understanding between the Offeror and parties acting in concert with him or any other person on the one hand and any Director on the other hand which was conditional on or dependent upon the outcome of the Partial Offer or otherwise connected with the Partial Offer.
- (h) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.
- (i) As at the Latest Practicable Date, the Directors intended, in respect of their own beneficial shareholdings (if any), to reject the Partial Offer.
- (j) As at the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any shareholder of the Company; and (ii) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code).

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months preceding the commencement of the Offer Period; or (b) was a continuous contract with a notice period of 12 months or more; or (c) was fixed term contract that has more than 12 months to run irrespective of the notice period.

6. EXPERT AND CONSENT

The following are the name and qualification of the professional adviser whose letter, opinions or advice are contained or referred to in this Response Document:

Name	Qualification
China Harbour International Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

China Harbour has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of its letters, opinions or advice and the references to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, China Harbour was not beneficially interested in the share capital of any member of the Group; nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any member of the Group after the date falling two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date:

- (a) the placing agreement (the “**Placing Agreement**”) dated 15 June 2022 between the Company and Yuet Sheung International Securities Limited (the “**Placing Agent**”) as placing agent in relation to the proposed placing of a maximum of 528,000,000 new ordinary shares of HK\$0.01 each in the Company through the Placing Agent to not less than six places at a placing price of HK\$0.108 per share; and
- (b) the termination agreement dated 27 June 2022 between the Company and the Placing Agent pursuant to which the Company and the Placing Agent mutually agreed to terminate the Placing Agreement with immediate effect.

9. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business in Hong Kong of the Company is at Unit No. 2910-11, 29/F Prosperity Millennia Plaza, 663 King’s Road, Quarry Bay, Hong Kong.
- (c) The branch share registrars and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- (d) The two joint company secretaries of the Company are Ms. Chan Shuk Man Lora, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and a Chartered Tax Adviser (Hong Kong), and Ms. Li Yuen Shan, who is a fellow member of the Association of Chartered Certified Accountants and an associate (ASA) of CPA Australia and also an associate of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and an associate of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries).
- (e) The English text of this Response Document shall prevail over its Chinese text, in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be put on display on the website of the SFC at www.sfc.hk, and the Company's website at www.tontine-wines.com.hk during the period from the date of this Response Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2022 and 2023 respectively;
- (c) the letter from the Board, the text of which is set out on pages 5 to 11 of this Response Document;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this Response Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 37 of this Response Document;
- (f) the letter of consent referred to under the paragraph headed "6. Expert and consent" in this Appendix; and
- (g) the material contracts referred to under the paragraph headed "8. Material contracts" in this Appendix.