TONTINE

CHINA TONTINE WINES GROUP LIMITED
中國通天酒業集團有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 389)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 15.0% to approximately RMB64,492,000 (2020 corresponding period: RMB56,088,000).

- Gross profit of approximately RMB18,117,000 (2020 corresponding period: gross loss of RMB21,836,000).

- Loss and total comprehensive expense for the period attributable to owners of the Company and non-controlling interests amounted to approximately RMB6,461,000 (2020 corresponding period: loss and total comprehensive expense attributable to owners of the Company and non-controlling interests of RMB74,179,000).

- Basic and diluted loss per share were RMB0.39 cents (2020 corresponding period: basic and diluted loss per share of RMB3.52 cents).

The board of directors (the "Board" or the "Directors") of China Tontine Wines Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021 (the "Period" or "period under review"), together with the comparative figures for the six months ended 30 June 2020. The results have been reviewed by the Company's audditor, ZHONGHUI ANDA CPA Limited, and by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**64,492**	56,088
Cost of sales		**(46,375)**	(77,924)
Gross profit/(loss)		**18,117**	(21,836)
Other income, gains and losses	*6*	**(1,094)**	(433)
Selling and distribution expenses		**(4,802)**	(21,971)
Administrative and other operating expenses		**(18,563)**	(19,757)
Impairment loss on property, plant and equipment		**–**	(8,625)
Impairment loss on right-of-use assets		**–**	(2,433)
Change in fair value of biological assets	*14*	**1,555**	1,730
Change in fair value of convertible bonds	*19*	**(1,585)**	–
Finance costs	*7*	**(89)**	(854)
Loss before tax		**(6,461)**	(74,179)
Income tax expense	*8*	**–**	–
Loss and total comprehensive expense for the period	*9*	**(6,461)**	(74,179)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(7,908)**	(70,881)
Non-controlling interests		**1,447**	(3,298)
		(6,461)	(74,179)
Loss per share	*11*		
Basic (RMB cents)		**(0.39)**	(3.52)
Diluted (RMB cents)		**(0.39)**	(3.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*12*	**133,019**	138,175
Right-of-use assets	*13*	**39,250**	41,045
Biological assets	*14*	**4,503**	2,642
Prepayments	*17*	**9,058**	9,058
		185,830	190,920
Current assets			
Inventories	*15*	**211,541**	143,775
Trade receivables	*16*	**72,411**	65,726
Other receivable, deposits and prepayments	*17*	**23,788**	96,784
Current tax recoverable		**5,551**	5,551
Bank and cash balances		**62,634**	37,447
		375,925	349,283
Current liabilities			
Trade payables	*18*	**4,766**	5,343
Other payables and accruals		**16,228**	23,069
Amount due to ultimate holding company		**5,444**	3,769
Lease liabilities		**1,399**	788
Current tax liabilities		**9,961**	9,961
		37,798	42,930
Net current assets		**338,127**	306,353
Total assets less current liabilities		**523,957**	497,273
Non-current liabilities			
Convertible bonds	*19*	**33,954**	–
Lease liabilities		**1,571**	2,380
		35,525	2,380
NET ASSETS		**488,432**	494,893

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital and reserves			
Share capital	*20*	**17,624**	17,624
Reserves		**391,816**	399,724
Equity attributable to owners of the Company		**409,440**	417,348
Non-controlling interests		**78,992**	77,545
TOTAL EQUITY		**488,432**	494,893

1. BASIS OF PREPARATION

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

The Interim Financial Statements do not included all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020 ("2020 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2020 Annual Report.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2021:

	Fair value measurements as at 30 June 2021 using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Recurring fair value measurements:				
Financial liabilities at fair value through profit or loss				
– Convertible bonds	–	33,954	–	33,954

During the period, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Disclosure of valuation techniques and inputs used in fair value measurements at 30 June 2021:

The Group has engaged an independent valuer, Hong Kong Appraisal Advisory Limited, to determine the fair values of the convertible bonds as at the date of issue and 30 June 2021.

Level 2 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value as at 30 June 2021** *RMB'000* (Unaudited)
Convertible bonds	Binomial model	Share price Discount rate Volatility Conversion price	33,954

4. REVENUE

The Group manufactures and sells wine products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. SEGMENT INFORMATION

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

	North-East Region *RMB'000*	**Northern Region** *RMB'000*	**Eastern Region** *RMB'000*	**South-Central Region** *RMB'000*	**South-West Region** *RMB'000*	**Total** *RMB'000*
For the six months ended 30 June 2021 (Unaudited)						
Segment revenue from external customers	**16,371**	**7,313**	**12,565**	**11,359**	**16,884**	**64,492**
Segment profit/(loss)	**3,218**	**2,359**	**3,106**	**(1,283)**	**5,915**	**13,315**
For the six months ended 30 June 2020 (Unaudited)						
Segment revenue from external customers	13,411	8,519	16,396	9,156	8,606	56,088
Segment loss	(10,828)	(3,460)	(4,635)	(4,647)	(2,758)	(26,328)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit or loss		
Total profit/(loss) of reportable segments	**13,315**	(26,328)
Unallocated amounts:		
Change in fair value of biological assets	**1,555**	1,730
Change in fair value of convertible bonds	**(1,585)**	–
Finance costs	**(89)**	(854)
Other corporate income	**112**	201
Other corporate expenses and losses	**(19,769)**	(48,928)
Consolidated loss for the period	**(6,461)**	(74,179)

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

	North-East Region *RMB'000*	Northern Region *RMB'000*	Eastern Region *RMB'000*	South-Central Region *RMB'000*	South-West Region *RMB'000*	Total *RMB'000*
As at 30 June 2021 (Unaudited)						
Segment assets	**22,210**	**2,987**	**21,706**	**14,410**	**11,098**	**72,411**
Segment liabilities	**934**	**417**	**717**	**648**	**964**	**3,680**
As at 31 December 2020 (Audited)						
Segment assets	14,829	5,334	27,555	9,729	8,279	65,726
Segment liabilities	938	531	1,271	666	627	4,033

	At 30 June 2021 ***RMB'000*** **(Unaudited)**	At 31 December 2020 *RMB'000* (Audited)
Assets		
Total assets of reportable segments	**72,411**	65,726
Unallocated amounts:		
Property, plant and equipment	**133,019**	138,175
Right-of-use assets	**39,250**	41,045
Biological assets	**4,503**	2,642
Inventories	**211,541**	143,775
Other receivables, deposits and prepayments	**32,846**	105,842
Current tax recoverable	**5,551**	5,551
Bank and cash balances	**62,634**	37,447
Consolidated total assets	**561,755**	540,203
Liabilities		
Total liabilities of reportable segments	**3,680**	4,033
Unallocated amounts:		
Trade payables	**4,766**	5,343
Other payables and accruals	**12,548**	19,036
Convertible bonds	**33,954**	–
Amount due to ultimate holding company	**5,444**	3,769
Lease liabilities	**2,970**	3,168
Current tax liabilities	**9,961**	9,961
Consolidated total liabilities	**73,323**	45,310

Revenue from major products:

The following is an analysis of the Group's revenue from its major products.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sweet wines	**28,334**	32,364
Dry wines	**28,017**	17,313
Brandy	**2,700**	1,835
Others	**5,441**	4,576
	64,492	56,088

Timing of revenue recognition

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At a point in time	**64,492**	56,088

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**112**	177
Net foreign exchange loss	**(1,206)**	(634)
Others	**–**	24
	(1,094)	(433)

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Lease interests	**89**	–
Interests on bank borrowing	**–**	854
	89	854

8. INCOME TAX EXPENSE

No provision for taxation in Hong Kong has been made as the Group did not have any assessable profit arising from Hong Kong during the six months ended 30 June 2021 and 2020.

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

No provision for PRC Enterprise Income Tax has been made as the Group did not have assessable profit subject to PRC Enterprise Income Tax during the six months ended 30 June 2021 and 2020.

9. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**37,370**	39,551
Write off of inventories (included in cost of sales)	**–**	31,456
Loss allowance for trade receivables	**491**	4,910
Impairment loss on property, plant and equipment	**–**	8,625
Impairment loss on right-of-use assets	**–**	2,433
Depreciation of property, plant and equipment	**6,729**	5,306
Depreciation of right-of-use assets	**1,795**	1,836
Less: amounts included in property, plant and equipment	**(726)**	(893)
	1,069	943

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2021 attributable to owners of the Company of approximately RMB7,908,000 (Six months ended 30 June 2020: approximately RMB70,881,000) and the weighted average number of ordinary shares of 2,013,018,000 (Six months ended 30 June 2020: 2,013,018,000) in issue during the six months ended 30 June 2021.

Diluted loss per share

For the six months ended 30 June 2021 and 2020, the computation of diluted loss per share does not assume the exercise of the Company's convertible bonds and share options since their exercise would result in a decrease in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

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

	RMB'000
At 1 January 2021 (Audited)	138,175
Additions	1,573
Depreciation for the period	(6,729)
At 30 June 2021 (Unaudited)	133,019

13. RIGHT-OF-USE ASSETS

The movements in right-of-use assets during the current interim period are summarised as follows:

	RMB'000
At 1 January 2021 (Audited)	41,045
Depreciation for the period	(1,795)
At 30 June 2021 (Unaudited)	39,250

14. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants are summarised as follows during the current interim periods:

	RMB'000
At 1 January 2021 (Audited)	2,642
Change in fair value of biological assets	1,555
Increase due to cultivation	306
At 30 June 2021 (Unaudited)	4,503

No agricultural produce was harvested for the current interim period. All grapes are usually harvested annually from August to November of each year. The Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of grapevines as at 30 June 2021.

15. INVENTORIES

	At 30 June 2021 *RMB'000* (Unaudited)	At 31 December 2020 *RMB'000* (Audited)
Raw materials and consumables	**125,891**	50,730
Work in progress	**75,301**	81,112
Finished goods	**10,349**	11,933
	211,541	143,775

16. TRADE RECEIVABLES

The Group allows a credit period of 30 to 90 days to its trade customers except for the new customers which payment is made when wine products are delivered. The following is the ageing analysis of trade receivables net of impairment loss allowance presented based on the invoice date at the end of the reporting period.

	At 30 June 2021 *RMB'000* (Unaudited)	At 31 December 2020 *RMB'000* (Audited)
0 – 90 days	**46,216**	37,653
91 – 180 days	**4,703**	10,053
181 – 365 days	**8,830**	9,948
Over 365 days	**12,662**	8,072
	72,411	65,726

Reconciliation of loss allowance for trade receivables:

	RMB'000
Balance at 1 January 2021 (Audited)	3,260
Increase in loss allowance for the period	491
Balance at 30 June 2021 (Unaudited)	3,751

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Current		
Rental deposit	**681**	681
Prepayments for inventories *(note)*	**10,080**	90,080
Other tax receivables	**12,995**	6,014
Other deposits and prepayments	**32**	9
	23,788	96,784
Non-current		
Prepayments for property, plant and equipment	**7,458**	7,458
Prepayments for intangible asset	**1,600**	1,600
	9,058	9,058

Note:

During the year ended 31 December 2020, the Group entered into a purchase agreement amounting to RMB94,918,500 with an independent third party in respect of the purchase of Australian grape juice and a prepayment of RMB80,000,000 was paid. The date of completion of the agreement had been extended from 31 December 2020 to 30 June 2021 due to the trade dispute between China and Australia. If the transaction cannot be completed during the period before 30 June 2021, a full refund will be issued. During the six months ended 30 June 2021, the transaction was completed and recorded as raw materials in inventories.

The Group entered into another purchase agreement amounting to RMB33,600,000 with an independent third party relating to the purchase of ginseng for developing new products. A prepayment of RMB10,080,000 was paid and the transaction will be completed before 30 November 2021.

18. TRADE PAYABLES

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

	At 30 June 2021 ***RMB'000*** **(Unaudited)**	At 31 December 2020 *RMB'000* (Audited)
0 – 30 days	**855**	2,213
31 – 60 days	**3,911**	3,130
	4,766	5,343

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

19. CONVERTIBLE BONDS

On 11 February 2021 (the "Issue Date"), the convertible bonds with the nominal value of HK$40,000,000 (the "Convertible Bonds") were issued to two placees namely Mr. Koo Yuen Kim（古潤金先生）and Mr. Sim Tsz Shiong（沈士雄先生）who are independent third parties. The Convertible Bonds will due on the second anniversary of the Issue Date or (if not a business day) the business day immediately before the date of the second anniversary of the Issue Date (the "Maturity Date").

The Convertible Bonds is convertible in whole amount or multiple of the minimum denomination of HK$1,000,000 into ordinary shares of the Company at any time between the Issue Date and the Maturity Date. The Convertible Bonds, if exercised in full, will be convertible to a maximum 400,000,000 ordinary shares of HK$0.01 each in the Company at the conversion price of HK$0.10 per share. If the Convertible Bonds have not been converted, they will be redeemed at par on the Maturity Date. Interest of 15 per cent per annum will be paid half-yearly up until the Maturity Date.

The Company may at any time from the fourth month of the Issue Date to the Maturity Date redeem the Convertible Bonds at 100% of the outstanding principal amount (in whole amount or multiple of the minimum denomination of HK$1,000,000) in cash by serving at least 30 business days' prior written notice on the bondholders with the total amount proposed to be redeemed from the bondholders specified therein.

The bondholders may at any time from (i) the sixth month of the Issue Date to the Maturity Date and (ii) the first anniversary of the Issue Date to the Maturity Date, request the Company to redeem the Convertible Bonds at (i) 50% and (ii) 100% of the outstanding principal amount in cash by serving at least 30 business days' prior written notice on the Company with the total amount proposed to be redeemed by the bondholders specified therein, respectively.

The Group has engaged an independent valuer, Hong Kong Appraisal Advisory Limited, to determine the fair values of the Convertible Bonds as at the Issue Date and 30 June 2021. For the fair value measurement of the Convertible Bonds, please refer to note 3.

The movements of the Convertible Bonds during the six months ended 30 June 2021 are as follows:

	RMB'000
Net proceeds from issue of convertible bonds (Being the gross proceed of approximately RMB33,323,000 (HK$40,000,000) net with direct cost of approximately RMB1,126,000 (approximately HK$1,352,000))	32,197
Foreign exchange loss	172
Fair value loss	1,585
Fair value of convertible bonds as at 30 June 2021	33,954

20. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 (2020: HK$0.01) each		
At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	10,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 (2020: HK$0.01) each		
At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	2,013,018	20,131

	RMB'000
Shown in the condensed consolidated financial statements at 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	17,624

21. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted by the shareholders of the Company on 10 May 2019 for the primary purpose of enabling the Company to grant options to subscribe for ordinary shares of HK$0.01 each in the Company to eligible participants (including directors, employees, suppliers of goods and services, consultants, advisers, contractors, business and service partners of the Group) to recognize and reward their contributions and/or as incentives for retaining them for their contribution or potential contribution to the Group for its long-term growth and development.

The outstanding share options of the Company as at 30 June 2021 and 31 December 2020 are set out below:

Date of grant	Number of options	Exercisable period	Exercise price
9 May 2016	As at 30 June 2021: Nil *(note)* (Unaudited) As at 31 December 2020: 66,200,000 (Audited)	9 May 2016 to 8 May 2021	HK$0.263

Note: No share options were exercised and 66,200,000 share options were lapsed during the six months ended 30 June 2021.

22. CAPITAL COMMITMENTS

The Group's capital commitments, at the end of the reporting period are as follows:

	At 30 June 2021 ***RMB'000*** **(Unaudited)**	At 31 December 2020 *RMB'000* (Audited)
Capital expenditure in respect of the followings contracted for but not provided in the condensed consolidated financial statements:		
Acquisition of property, plant and equipment	**–**	840
Acquisition of intangible assets	**1,750**	1,750
Development of wine estate and wine cellar	**3,600**	3,600
	5,350	6,190

23. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management for the period was as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,049**	2,088
Post-employment benefits	**90**	34
	2,139	2,122

The remuneration of directors and key executives is determined by the board of directors of the Company (upon the recommendation of the remuneration committee) having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2021, the impact of the pandemic will continue, and the global business environment is still facing many negative impacts. With the remarkable results achieved by China in pandemic prevention and control, the wine market in China has achieved positive growth in the first half of 2021. According to the national output data of winemaking industry from January to June 2021 of China Alcoholic Drinks Association（中國酒業協會）, the total winemaking output of above-set-scale enterprises in national winemaking industry was 28,342,400 kiloliters, representing a year-on-year increase of 6.80%. Specifically, the output of wine was 135,700 kiloliters, representing a year-on-year increase of 1.24%.[1] Compared with the "slumps" in revenues generally experienced by listed wine companies last year, most companies have turned around the "negative growth" condition in the first half of this year and have begun to enter the track where both profits and revenue increase.

In the first half of the year, the wine output in China, revenue, and profits have recorded encouraging performance. In contrast, imported wine faced tremendous pressure of "double reduction in sales and volume" during the same period. The haze of the pandemic around the world continues to affect the production and transportation of major wine-producing countries, with further decrease in volume and amounts of import. According to data released by the General Administration of Customs of the PRC, China's wine import volume from January to June 2021 was 212.94 million liters, representing a year-on-year decrease of 1.5%; and the import amount were US$821.922 million, representing a year-on-year decrease of 1.6%.[2]

In addition, imported wine has also experienced heavy blow at policy level. The market share of Australia, along with France and Chile as China's top three sources of wine imports for a long time, has contracted since the anti-dumping and countervailing investigations initiated in August of last year. In March 2021, the Ministry of Commerce of the PRC issued a final ruling announcement. It is determined that there is dumping of imported wines originating from Australia, and it is decided to impose anti-dumping duties on imported wines originating from Australia from 28 March 2021. So far, Australia has lost its absolute competitiveness in the wine market in China. Affected by the combined effects of anti-dumping duties and the pandemic, Australia's wine exports to China in the first half of this year have further plummeted in terms of volume and amounts.

1 https://mp.weixin.qq.com/s?__biz=MzA5MzAxMTIxMg==&mid=2649716417&idx=1&sn=b89d23a7c002d9432fcf02a590d5959e&chksm=887fbaa2bf0833b4e716bc199962d7e478462c72752bb4c4a0e3e234e3903a18eaea117ed33c&mpshare=1&scene=1&srcid=0823n1EaHaZrhOWxZm8zo2kB&sharer_sharetime=1629701696223&sharer_shareid=806ed9ef66905f06f227407128f0a4cf&exportkey=ATmY3Bm%2FFNVv5jvzOZSlrjs%3D&pass_ticket=h0il5fSqYn1oltJboQvjKrK%2BOxfM5%2Btlja1sPfd2E1E0ycQO29XCQgi%2BsFC14CXD&wx_header=0#rd

2 https://jiu.ifeng.com/c/88h262rsl87

The entry into force of the anti-dumping resolution effectively safeguarded market fairness. The rapid cooling of imported wine has created good development opportunities for the wine industry in China, and has therefore brought deep differentiation in market consumption, representing the best time for domestic wines to enter into self-transformation and make plan for long-term layout. Meanwhile, the all-round rise of the national trend has led to an unprecedented upsurge of attention for domestic products. Statistics show that the market attention of Chinese brands and overseas brands is 75% and 25% respectively in 2021.[3] Newer and better domestic products are reshaping consumers' perception. The market wave of "new national trends" and "new domestic products" provides a "comfortable" market environment for external sales of Chinese wines. Domestic wine is undoubtedly ushering in a period of good opportunities for development, and the reshuffle and integration of the industry has further accelerated. With the increase in market concentration, the channels will also be subject to change or differentiation from time to time. Products that simply rely on low prices to seize the market share will gradually be eliminated, the market will further focus on brands, and the advantage of brand effect will be enlarged.

With the improvement of people's living standards, China has become a major wine consumer. According to the "14th Five-Year Plan" Development Guide for the Chinese Alcohol Beverage Industry (《中國酒業「十四五」發展指導意見》) issued by the China Alcoholic Drinks Association（中國酒業協會）, it is estimated that by 2025, the wine output of China will reach 700,000 kiloliters, representing an increase of 75.0% as compared with that by the end of the "13th Five-Year Plan", with an average annual increase of 11.8%. The sales revenue will reach RMB20.0 billion, representing an increase of 66.7% as compared with that by the end of the "13th Five-Year Plan", with an average annual increase of 10.8%. Profits of RMB4.0 billion will be achieved, representing an increase of 300.0% as compared with that by the end of the "13th Five-Year Plan", with an average annual increase of 32.0%[4]. With the rise of the young mainstream consumer group of millennials, China's consumption structure is also undergoing a new round of upgrades and changes. Consumers are paying more attention to brand quality, and more high-quality and high-value wine brands are favored by consumers. Under the international and domestic "dual cycle" pattern, and with favorable opportunities for the development of the industry, it is believed that companies that accurately grasp changes in consumers' demand and give priority to the blessing of brand advantages are bound to usher in an inflection point of development sooner and enter a fast-rising track.

FINANCIAL REVIEW

In the first half of 2021, although the continuous outbreak of the novel coronavirus (COVID-19) pandemic has affected the upstream and downstream of the wine industry and the whole terminal retail business to different degrees, improved overall economic environment and increased consumer awareness have positive impact on the Group's business performance during the period under review.

[3] https://news.gmw.cn/2021-05/11/content_34833780.htm

[4] https://www.weihengag.com/home/article/detail/id/10885.html

For the six months ended 30 June 2021, the Group recorded the total revenue of RMB64,492,000, representing an increase of approximately 15.0% as compared with the corresponding period of last year. Among which, sweet wine and dry wine remained the major sources of sales revenue, accounting for 87.4% of the total revenue of the Group in aggregate. The loss and total comprehensive expense for the period attributable to owners of the Company amounted to RMB7,908,000. Overall product sales of the Group were substantially the same as the corresponding period of last year. However, the loss decreased significantly by approximately 88.8% as compared with the corresponding period of last year resulting from significant year-on-year decrease in the cost of sales. During the period under review, the gross profit of the Group amounted to RMB18,117,000 (corresponding period of last year: gross loss of RMB21,836,000). During the Period, the Group achieved an overall gross profit margin of 28.1% (corresponding period of 2020: gross loss margin of 38.9%).

The following table shows the Group's gross profit, gross profit margin and comparison during the Period:

	Six months ended 30 June		Year-on-year change
	2021	2020	
Overall gross profit/(loss) (RMB'000)	**18,117**	(21,836)	N/A
Overall gross profit/(loss) margin	**28.1%**	(38.9%)	N/A

During the period under review, the selling and distribution expenses amounted to RMB4,802,000, representing a decrease of 78.1% as compared with the corresponding period of last year. The Group adjusted its marketing strategy in a timely manner to meet the changing market conditions. The Group actively participated in various offline wine exhibitions, and further enhanced our brand awareness and explored new development opportunities by participating in large-scale events such as the China Food and Drinks Fair (Spring Session)（春季糖酒會）and the First China International Products Expo. The Group increased its marketing efforts in new media channels according to prevailing conditions, and no effort was made in advertising and marketing on traditional media during the Period.

During the period under review, the total cost of sales of the Group was RMB46,375,000, representing a year-on-year decrease of 40.5%, which was mainly due to the fact that the Group did not make any provision for impairment of inventories (included in cost of sales) during the Period (impairment provision of RMB31,456,000 was made for the same period in 2020). The major raw materials required for the production of wines of the Group consist of grape, grape juice, yeast, additives and packaging materials which include bottles, bottle caps, labels, corks and packaging boxes. During the Period, the cost of raw materials of the Group was RMB36,298,000, representing a year-on-year decrease of approximately 45.8%, which accounted for approximately 78.3% of the total cost of sales of the Group.

The following table sets forth the breakdown of the costs required for production by the Group for the six months ended 30 June 2021:

	For the six months ended 30 June		
	2021 ***(RMB'000)***	2020 *(RMB'000)*	**Change %**
Total cost of raw materials	**36,298**	66,947	-45.8%
Production overheads	**2,477**	4,060	-39.0%
Consumption tax and other taxes	**7,600**	6,917	9.9%
Total cost of sales	**46,375**	77,924	-40.5%

OPERATION REVIEW

In the context of "normalization" of the continuous outbreak of the pandemic, the Group has never stopped moving forward. As a leading brand in the wine industry, the Group continuously strengthened the upgrade of its internal organizational structure, management system and operating mechanism, and continued to optimize corporate benefits from strategic deployment to operational management. Facing the continued pressure on imported wines and opportunities arising from the rise of domestic products, the Group fully seized such opportunities to make a long-term strategic transformation, so as to achieve overtaking in corners.

Last year, the Group successfully reached strategic cooperation with AntChain and 58 Youpin (58 優品), and took the lead in moving towards "digital" transformation. Through forward-looking strategic layout, the Group actively implemented digital marketing to break through bottlenecks by scientific and technological means, continued to bring consumers a better consumer experience, and brought new momentum to the development of the wine industry. The Group strove to build a diversified consumption system to promote the development of the Company in a more stable and healthy direction.

In the first half of the year, the Group continued to diversify its product categories and launched 3 new products, including the commencement of mass production of ginseng wine. During the period under review, the total number of products of the Group was 118.

As one of the "Top 10 Chinese Wine Industry Brands", the Group is committed to producing high quality wine and maintained recognition in the market, and was awarded numerous honors in international authoritative wine competitions. In May 2021, Tontine Wines's "Minus Nine Degrees • Tontine White Ice Wine 2016 (Vidal)（零下九度 • 通天白冰葡萄酒2016（威代爾））" won the silver medal in the internationally renowned wine competition – IWSC (International Wine and Spirit Competition) with a high score of 90 points. In June 2021, the Group's "Snow Aromatic Organic Mountain Wine"（看雪尋梅 • 有機山葡萄酒）won a gold award at the Spring Edition of the 13th International PAR Organic Wine Award with a score of 93 points, the highest score in the Gold Award Category in the China region, demonstrating the strength of Chinese organic wine to the world. The international influence and market share of domestic wines are increasing day by day.

Output Volume and Sales

For the six months ended 30 June 2021, the output of all categories of products manufactured by the two production bases of the Group located in Tonghua City, Jilin Province and Baiyanghe, Shandong Province reached a total of 2,414 tonnes. Specifically, the output of the Baiyanghe production line increased by 48.0% year-on-year, mainly due to gradual resumption of normal production and operations of the production line in the first half of this year, while it was in a state of suspension for most of the time in the first half of last year as affected by the pandemic.

The Group mainly sells its grape wine products to distributors, who in turn distribute our products to supermarkets, cigarette and liquor specialty stores, food and beverage outlets such as restaurants and hotel restaurants and other third-party retailers or sell and distribute products directly to end consumers and other distributors. In the first half of 2021, the Group continued to generate revenue for the Company through offline traditional models such as China Food and Drinks Fair（糖酒會）and new marketing scenarios built by using new media platforms.

For the six months ended 30 June 2021, the Group's products were sold through 90 distributors located in 20 provinces, 3 autonomous regions and 4 direct-controlled municipalities in China. During the period under review, the Group strictly controlled its selling and distribution expenses, strengthened the standardization management of distributors, and continued to optimize its sales network.

Regional market performance

During the period under review, the South-West Region, which was less affected by the pandemic, rose to become the Group's first largest market. During the period under review, its revenue was RMB16,884,000, accounting for 26.2% of the total revenue and representing an increase of 10.8 percentage points as compared with the corresponding period of last year.

As the second largest market of the Group, the North-East region is also the production base of Tonghua, Jilin Province. The Group sold more goods and maintained more stable sales volume as a result of the geographical advantage, and made more promotion efforts as compared with other regions, during the period of continuous pandemic. During the period under review, its revenue was RMB16,371,000, accounting for 25.4% of the total revenue and representing an increase of 1.5 percentage points as compared with the corresponding period of last year.

Due to the continuous pandemic, the Eastern Region, which accounted for the largest market share of the Group in prior years, fell to the third largest market. During the period under review, the Group recorded a total revenue of RMB12,565,000 in the Eastern Region market, accounting for 19.5% of the total revenue and representing a decrease of 9.8 percentage points as compared with the corresponding period of last year.

The sales revenue from the South-Central Region was RMB11,359,000, accounting for 17.6% of the total revenue. During the period under review, the sales revenue from the Northern Region was RMB7,313,000, accounting for 11.3% of the total revenue.

BUSINESS INDICATOR REVIEW

Inventory turnover days

The inventory turnover days of the Group as at the end of the Period stood at approximately 829 days as compared with 471 days in the corresponding period of last year, which was mainly due to the substantial decrease in cost of sales as compared to the same period in 2020.

Trade account receivables turnover days

As at 30 June 2021, the trade account receivables turnover days of the Group stood at 194 days and the trade account receivables was RMB72,411,000.

OPERATION ANALYSIS BY PRODUCT

Sweet Wines

As of 30 June 2021, the Group's sales revenue from sweet wine products amounted to RMB28,334,000, accounting for 43.9% of its total revenue and became the product that contributed the most to the Group's sales during the period under review. The gross profit margin of this type of product was 22.2%.

Dry Wines

As of 30 June 2021, the Group's sales revenue from dry wine products amounted to a total of RMB28,017,000, accounting for 43.4% of the Group's total revenue and representing an increase of 12.6 percentage points as compared with the corresponding period of last year. The gross profit margin was 35.1%, representing an increase of 32.2 percentage points as compared with the corresponding period of last year.

Brandy

The Group launched the "Apple-type" brandy, which has been well received by the market. During the period under review, the sales revenue of brandy products was RMB2,700,000, accounting for 4.2% of the total revenue. The gross profit margin was 14.1%.

Other products

The Group's other wine products include high-end ice wines and white wines (Yaaru Wine（雅羅白）), and recorded sales revenue of RMB5,441,000 during the Period, accounting for 8.4% of the total revenue. The Group made full use of Tonghua government's policy of encouraging the enlargement of the advantages of mountain grapes to reduce the production cost of ice wine and enhance the competitive advantage of products. In addition, in order to cater to the health consideration of the public in choosing wines, the Group developed and launched the ginseng wine with excellent healthcare effects through soaking ginseng in the popular Yaaru Wine（雅羅白）product, which has been overall recognized by the public. It has been well recognized by customers once it was launched. During the Period, the gross profit margin of Yaaru Wine（雅羅白）was 37.9%, making it the product that contributed the most to the Group's gross profit margin.

BUSINESS PROSPECTS

Due to the remarkable achievements in the fight against the pandemic, the economic performance of the PRC in the first half of the year also led the world. According to data of the National Bureau of Statistics, the gross domestic product in the first half of the year increased by 12.7% year-on-year. Specifically, the gross domestic product in the second quarter increased by 7.9% year-on-year, and the month-on-month increase was 1.3%, with an average growth rate of 5.5% for the two years[5]. The economy of the PRC continued to recover steadily in the first half of the year, and its economic development showed a trend of consolidation and improvement in a stable manner. The endogenous driving force of the PRC economy as a whole continues to strengthen, and market players become more dynamic, providing strong support for consumption.

Due to the impact of the COVID-19 pandemic, consumers' overseas travel and overseas commodity imports are both restricted, which has created a rare window of development for the domestic consumer market. Under the positive catalysis of the double-edged sword of the pandemic, in-depth interaction between consumers and brands and "new retail" rose rapidly. According to data released by the National Bureau of Statistics, online retail sales have increased by an average of 15% in two years[6], and its proportion has continued to increase. Upgraded consumer goods are still growing rapidly, and new business formats and new models continue to grow and expand, creating a good environment for external consumption.

Expanded consumption power, increased consumption demand and diversified marketing channels have jointly facilitated the emergence of new consumption. The consumption of the public is no longer limited to satisfying life needs, but also pursuing the satisfaction of lifestyle and cultural attitudes. With the popularity of the TV series "Minning Town (《山海情》)", a wave of domestic wine consumption has been set off. Combined with the rising popularity of domestic products, the Group has gradually shifted from a product-centric enterprise to a market and consumption-centric enterprise to create a wine culture system with characteristics of Tontine brand, adapted to the rapid changes in market structure, improved the industry homogeneity, stabilized the path of differentiation and enhanced the added value of products.

5 http://www.gov.cn/xinwen/2021-08/06/content_5629850.htm

6 https://news.stcn.com/sd/202107/t20210715_3441351.html

The expansion of the new middle class will drive the increase in the volume of high-end brand wines. While continuously improving the brand benefits, the Group has keenly captured the changes in consumption scenarios brought about by the pandemic, actively constructed "online + offline" three-dimensional consumption scenarios, and accelerated the research and development of new products to enrich the types of health products in responding to the trend of rising proportion of household consumption and self-drinking consumption, making wine drinking more popular and family-oriented. Meanwhile, the Group has insight into the consumption characteristics of the younger consumer groups. On the basis of fully exploring new cultures and new social platforms, we should seize this group of "new users" who emphasize self-expression, diversified aesthetics and diverse needs to create characterized wine brands under the new era and new consumption.

In recent years, the high-quality development process of the wine industry from quantitative change to qualitative change during industrial integration also reflects consumers' need to pursue rational and healthy consumption. Coupled with the impact of the pandemic, consumers' health awareness has further increased. In the "new health" era after the pandemic, the Group strengthened its layout in healthy alcohol products in deepening the development path of "Characteristic Production Area + Unique Brand + Distinctive Experience" with products with regional features, and developed and launched ginseng wine with excellent healthcare effects leveraging the advantage of Tonghua as a ginseng production base, so as to fully cater to the health consideration of consumers in choosing wines. It is expected that the consumption of ginseng wine will gradually increase in the second half of the year. In addition, the Group vigorously promoted organic wines by leveraging the unique planting advantages of mountain grapes in the Tonghua region, which have become more prominent in terms of individuality and health.

With the improvement of supporting facilities such as logistics and warehousing, the development model of the wine industry combined with new retail has become clearer. The Group has made plan for digital transformation last year. With the support of digital technologies, the synergistic advantages of new retail channels have become more prominent. In the future, the Group will adhere to brand leadership and optimize product structure with a pragmatic and prudent attitude. With the empowerment of digital technologies, we will launch more high-quality domestic products with market competitiveness to consolidate the leading position of the top brand in the industry.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

In view of the minimal foreign currency exchange risk, the Directors will closely monitor the foreign currency movement instead of entering into any foreign exchange hedge arrangement.

The Group will continue to pursue a prudent treasury management policy and is in a good and healthy liquidity position with sufficient cash to cope with daily operations and future development needs for capital.

With strong cash and bank balances, the Group is in a net cash position and is thus exposed to minimal financial risk on interest rate fluctuation.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020 corresponding period: nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's working capital was healthy and positive and we financed the Group's operation with internal cash flows generated from operations and the issue of convertible bonds. As at 30 June 2021, the Group's cash and cash equivalents were substantially denominated in RMB and amounted to approximately RMB62,634,000. The Group has sufficient financial resources and a positive cash position to satisfy the working capital requirements of its business development, operations and capital expenditures.

Capital commitments and charges on assets

The Group made capital expenditure commitments of approximately RMB5,350,000 contracted but not provided for in the condensed consolidated financial statements as at 30 June 2021. These commitments were required mainly to support the Group's production capacity expansion.

As at 30 June 2021, none of the Group's assets was pledged.

Employment and remuneration policy

Quality and dedicated staff are our most important assets and are indispensable to our success in the competitive market. As part of our corporate culture, we strive to ensure a strong team spirit among our employees for them to contribute towards our corporate objectives. In achieving the goal, we offer competitive remuneration packages commensurate with the industry level and provide various fringe benefits, including trainings, medical insurance coverage as well as retirement benefits to the employees in Hong Kong and in the PRC. Employees are encouraged to enrol in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group reviews its human resources and remuneration policies periodically with reference to local legislation, market conditions, industry practice and assessment of the performance of the Group and individual employees. A share option scheme has also been adopted with a primary purpose of motivating our employees to optimize their contributions to the Group and to reward them for their performance and dedication.

As at 30 June 2021, the Group employed a work force of 351 in Hong Kong and in the PRC (31 December 2020: 339). The total salaries and related costs (including Directors' fee) for the Period amounted to approximately RMB8,489,000 (2020 corresponding period: RMB7,879,000).

Share Option Scheme

The Company's share option scheme (the "2009 Share Option Scheme") adopted on 19 November 2009 was terminated on 10 May 2019 upon the adoption of a new share option scheme (the "2019 Share Option Scheme") by the Company's shareholders at the annual general meeting held on 10 May 2019, which enables the Company to offer to grant options to subscribe for ordinary shares (the "Shares") of HK$0.01 each in the Company.

Consequent upon its termination, no further options can be granted under the 2009 Share Option Scheme but the subsisting options granted prior to its termination will continue to be valid and exercisable subject to and in accordance with the terms on which they were granted, the provisions of the 2009 Share Option Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively).

During the Period, the movements in the options granted by the Company under the 2009 Share Option Scheme were as follows:

						Number of options					
Category of grantees	Date of grant (dd/mm/yyyy)	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per Share HK$	Closing price per Share on date of grant HK$	Outstanding as at 1 January 2021	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2021
A director	09/05/2016	09/05/2016	09/05/2016 to 08/05/2021	0.263	0.255	16,550,000	–	–	–	(16,550,000)	–
Employees	09/05/2016	09/05/2016	09/05/2016 to 08/05/2021	0.263	0.255	49,650,000	–	–	–	(49,650,000)	–
Total						66,200,000	–	–	–	(66,200,000)	–

During the Period, no options had been granted, outstanding, cancelled or lapsed under the 2019 Share Option Scheme.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for directors' securities transactions. All Directors, after specific enquiries by the Company, confirmed their compliance with the required standards set out in the Model Code throughout the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company had applied the principles in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and complied with the code provisions and certain recommended best practices set out in the CG Code, save for the deviation from code provision A.2.1 of the CG Code, which states that the roles of chairman and the chief executive officer ("CEO") should be segregated and should not be performed by the same individual. Mr. Wang Guangyuan ("Mr. Wang") is responsible for the overall business strategy and development and management of the Group. The Board considers Mr. Wang, the chairman of the Board and the CEO of the Company, is able to lead the Board in major business decision making for the Group and enables the Board's decision to be effectively made, which is beneficial to the management and the development of the Group's business. Therefore, Mr. Wang assumes the dual roles of being the chairman of the Board and the CEO of the Company notwithstanding the deviation.

REVIEW OF INTERIM FINANCIAL RESULTS

The interim results and interim report of the Company for the six months ended 30 June 2021 have been reviewed by ZHONGHUI ANDA CPA Limited, the Company's independent auditor, whose review report will be included in the interim report to be despatched to shareholders of the Company.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal control systems and financial reporting matters including the review of the unaudited interim results and interim report of the Company for the six months ended 30 June 2021.

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

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.tontine-wines.com.hk). The interim report for the Period containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, investors, business partners and customers for their continued support. I would also like to express my sincere gratitude to our senior management team and all staff for their hard work and dedication over the years.

By order of the Board
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, the Board comprises Mr Wang Guangyuan, Mr Zhang Hebin and Ms Wang Lijun as executive directors and Dr Cheng Vincent, Mr Lai Chi Keung, Albert and Mr Yang Qiang as independent non-executive directors.

This document is prepared in both English and Chinese. In the event of inconsistency, the English text of this document shall prevail over the Chinese text.