

To: Business Editor



TONTINE

Tontine Wines Announced Turnaround 2021 Annual Results, With Revenue Nearly Doubled

22 March 2022 – China Tontine Wines Group Limited (“Tontine Wines” or the “Company”, stock code: 0389), together with its subsidiaries (the “Group”), one of the leading sweet wine producers in China, announced significant improvement in the Group’s results for the 12 months ended 31 December 2021 (the “Year”). During the Year, the Group’s total revenue amounted to RMB208,371,000, representing a year-on-year increase of approximately 93.1 per cent. Total comprehensive income for the year attributable to owners of the Company and non-controlling interests amounted to RMB17,216,000, as compared to a loss in 2020. The Company’s basic earnings per share amounted to RMB0.55 cents (2020: basic loss per share: RMB8.06 cents)

In 2021, Mainland China managed to effectively contain the pandemic, and its economy recovered gradually. Driven by the recovery of the consumer market, the Group’s operating results improved significantly during the year under review. The Group’s business performance improved further in the second half, with substantial increase in sales revenue and continued improvement in operating efficiency. As a result, the Group resumed profitability for the Year. During the Year, the Group realised a gross profit of RMB67,395,000 (2020: gross loss of RMB62,491,000) and achieved an overall gross profit margin of 32.3 per cent (2020: gross loss margin of 57.9 per cent). With an increased revenue and resumption of gross profit, and no need for write-off on obsolete and slow moving inventories during the year under review, as well as effective cost control, the Group resumed profitability.

“The Group’ business managed to seize the opportunity of recovery amid resumption of economic activities, gradual recovering of consumption power, and market gap generated from the sustained decline in wine imports to mainland China in 2021. As a leading brand in the wine industry, during the year under review, the Group adopted a marketing approach tailored to the Gen Z consumers. The Group launched marketing videos on various mobile platforms and engaged in live broadcast distribution, in an effort to enhance market awareness of its products and brands in a more cost-effective manner. The Group’s marketing approach of focusing on combination of online and offline initiatives resulted in a deepened market penetration,” said Mr. Wang Guangyuan, the chairman of Tontine Wines.

During the Year, the performance of the Group’s products improved significantly on a year-on-year basis. Sweet wine and dry wine remained the major sources of the Group’s sales revenue, accounting for 75.3 per cent of the Group’s total revenue. For the year ended 31 December 2021, the Group’s sales revenue from sweet wine products amounted to RMB85,833,000, accounting for

41.2% of its total revenue. The Group's sales revenue from dry wine products amounted to RMB71,086,000, accounting for 34.1 per cent of the Group's total revenue. The Group's sales revenue from brandy amounted to RMB7,277,000, accounting for 3.5 per cent of the Group's total revenue. The Group's other wine products include high-end ice wines and white wines (Yaaru Wine (雅羅白)) and the new ginseng wine products that the Company launched during the Year. During the year under review, the sales revenue of other products amounted to RMB44,175,000, accounting for 21.2 per cent of the Group's total revenue, representing an increase of 10.6 percentage points over that of the previous year. The Group's sales revenue from ginseng wine amounted to RMB15,495,929.

Under the impact of the pandemic, healthcare wine is gradually getting more customer attention. The Group is optimistic about the future development of the healthcare wine market. In the first half of 2021, the Group launched new ginseng wine products. During the year under review, the Group acquired a ginseng farmland in Tonghua with an area of 203,200 sq.m, to ensure stable supply of raw materials for the Group's intensified ginseng wine business.

For the year ended 31 December 2021, the output of all categories of products manufactured by the two production bases of the Group located in Tonghua, Jilin Province and Baiyanghe, Shandong, reached a total of 6,922 tonnes. During the year under review, the Group continued to expand product variety by launching nine new products, thus increasing the Group's total number of products to 123.

With respect to marketing, the Group has been active in promoting digitization transformation. Following its strategic cooperation with AntChain and 58 Youpin, the Group forged a partnership with Ji Yao Fang Zhou during the Year to jointly develop medicated wine, and to utilise their Internet platforms for digital marketing to strengthen the Group's online marketing. During the year under review, the Group continued to explore online marketing channels, by adopting such approaches as "live-broadcast distribution" to "acquire customers online" on various new media platforms. At the same time, the Group reduced its advertising and marketing commitments in traditional media significantly. During the year under review, the Group's advertising and promotion expenses amounted to RMB2,058,000, representing a year-on-year decrease of 88.2 per cent.

Looking ahead, Mr. Wang said: "It is expected that domestic wine market fragmentation will intensify, while the competitive landscape undergoes fundamental changes. Brand effects and consumer experience will become the key to market share expansion in the future. The Group will further leverage the brand advantages of Tontine Wines' products to actively explore different possibilities. The Group will expand its quality customer base, develop personalized customized products and create products that cater to the preferences of new consumer groups, while maintaining product quality, enhancing brand value, and exploring new opportunities for market development. The Group will continue to explore new marketing approaches, strengthen channel management, optimize brand awareness and promotion efforts to consolidate its leading position in the industry."

About China Tontine Wines Group Limited

China Tontine Wines Group Limited is one of the leading sweet wine producers in China. Unique taste, premium quality and top-notch operation earn the Group numerous awards. For instance, the Group's "Minus Nine Degrees • Tongtian White Ice Wine 2016 (Vidal) won a Silver Award at the world-renowned wine competition -- IWSC (International Wine & Spirits Competition), with a high score of 90 points; and Snow Aromatic Organic Mountain Wine won a Gold Award at the Spring Edition of the 13th International PAR Organic Wine Award (2021) with an outstanding score of 93 points, which was the highest score in the Gold Award Category in the China region. Tontine Wines' "Yaaru Valley No.1·Tontine White Ice Wine" and "Yaaru Valley No.1·Tontine Red Ice Wine" respectively won the Gold medal and the Silver medal of Premium Wine of 2021 China Fine Wine Challenge. The outstanding achievements of the Group in the industry were also recognized by the capital market. In December 2021, the Group won the "Listed Company Awards of Excellence 2021" organised by Hong Kong Economic Journal, a Hong Kong-based Chinese financial newspaper. The award was a recognition of the comprehensive strength of the Group.

The exceptional quality of Tontine Wines' products is much attributable to the Group's commitment to quality assurance and its grape supply from Ji'an city in Jilin Province, one of the few regions in the world that can cultivate the unique mountain grapes. The Group is dedicated to diversify its product portfolio and will continue to explore and develop niche markets, to cater to the ever changing consumer demands. The Group currently offers 123 types of wine products sold through 90 distributors in 19 provinces, 1 autonomous regions and 3 direct-controlled municipal cities in China. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited since November 2009.

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(Attached: Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2021)

China Tontine Wines Group Limited
(Stock code: 0389)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2021

| | For the Year ended 31 December | |
|---|--------------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 208,371 | 107,881 |
| Cost of sales | (140,976) | (170,372) |
| Gross profit/(loss) | 67,395 | (62,491) |
| Other income, gains and losses | 3,707 | 1,145 |
| Selling and distribution expenses | (15,812) | (32,220) |
| Administrative and other operating expenses | (39,159) | (39,354) |
| Impairment loss on property, plant and equipment | – | (29,847) |
| Impairment loss on right-of-use assets | – | (8,866) |
| Change in fair value of biological assets | 4,299 | 4,293 |
| Change in fair value of convertible bonds | (724) | – |
| Share-based payments | (2,334) | – |
| Finance costs | (156) | (1,045) |
| Profit/(loss) before tax | 17,216 | (168,385) |
| Income tax expense | – | – |
| Total comprehensive income/(expense) for the year | 17,216 | (168,385) |
| Total comprehensive income/(expense) for the year attributable to: | | |
| Owners of the Company | 11,336 | (162,160) |
| Non-controlling interests | 5,880 | (6,225) |
| | 17,216 | (168,385) |
| Earnings/(loss) per share | | |
| Basic (<i>RMB cents</i>) | 0.55 | (8.06) |
| Diluted (<i>RMB cents</i>) | 0.47 | (8.06) |