

To: Business Editor



TONTINE

Tontine Wines' Interim Results Improved Significantly Operational Efficiency Enhanced

31 August 2021 – China Tontine Wines Group Limited (“Tontine Wines” or “the Group”, stock code: 0389), one of the leading sweet wine producers in China, announced significant improvement in the Group’s results for the six months ended 30 June 2021 (the “Period”). During the first half of 2021, the Group’s total revenue amounted to RMB64,492,000, representing a year-on-year increase of approximately 15.0 per cent. During the Period, the Group reported a gross profit of RMB18,117,000 (2020 same period: gross loss of RMB21,836,000) and realised an overall gross profit margin of 28.1 per cent. The Group’s net loss for the Period also narrowed down substantially by close to 90 per cent to RMB7,908,000.

Mr. Wang Guangyuan, the chairman of Tontine Wines, said: “In the context of “normalisation” of the continuous outbreak of the pandemic, improved overall economic environment and increased consumer awareness had positive impact on the Group’s business performance during the Period. In addition, as a leading brand in the wine industry, the Group has never stopped moving forward. We continued to strengthen the upgrade of our internal organisational structure and management system, exercised strict cost control, continued to optimise corporate benefits from strategic deployment to operational management. The Group fully seized the opportunities arising from continued pressure on imported wines and from the rise of domestic products during the post-pandemic period to make a long-term strategic digital transformation and to effectively enhance operational efficiency.”

During the Period, the performance of the Group’s sweet wine and dry wine also improved significantly on a year-on-year basis. These two were the Group’s major products, accounting for 87.4 per cent of the Group’s total revenue. As at 30 June 2021, the sales revenue from sweet wine amounted to RMB28,334,000, accounting for 43.9 per cent of total revenue. Gross profit margin of sweet wine for the Period reached 22.2 per cent. During the Period, the Group realised a sales revenue from dry wine products of RMB28,017,000, which accounted for 43.4 per cent of the Group’s total revenue, up by 12.6 percentage points from that of the same period last year. Dry wine revenue contribution was basically the same as that of sweet wine. Gross profit margin of dry wine products was 35.1 per cent, up by 32.2 percentage points when compared with that of the same period last year. Sales revenue from brandy products during the Period amounted to RMB2,700,000, accounting for 4.2 per cent of total revenue, with a gross profit margin of 14.1 per cent. The Group’s other wine products, including high-end ice wines and white wines (Yaaru Wine (雅羅白)) reported a sales revenue of RMB5,441,000 for the Period, accounting for 8.4 per cent of total revenue. The gross profit margin of Yaaru Wine during the Period was 37.9 per cent, making it the largest contributor to the Group’s gross profit margin.

For the six months ended 30 June 2021, the total output of all categories of products manufactured by the Group’s two production bases in Tonghua City, Jilin Province and Baiyanghe, Shandong Province amounted to 2,414 tonnes. During the Period, the Group’s products were sold through 90 distributors located in 20 provinces, three autonomous regions and four direct controlled municipalities in China. During the Period, the Group stringently controlled its selling and distribution expenses, strengthened the standardisation management of distributors and continued

to optimise its sales network.

During the Period, the Group continued to expand its product categories. With the introduction of three new products, the Group had 118 types of products in total during the Period. Among these products was the ginseng wine, of which mass production commenced. The yield of ginseng in Jilin Province accounted for 85 per cent of China's total yield of ginseng, and the place of ginseng production is mainly in Tonghua. By fully leveraging this geographical advantage, the Group has developed ginseng wine with excellent healthcare effects through soaking ginseng in the popular Yaaru Wine product, which was successfully launched in the market. In addition, in line with the Tonghua government's policy to strongly encourage the cultivation of mountain grapes, the Group will continue to vigorously promote the popular ice wine products, so that more consumers have the opportunity to experience such organic wine products with regional features. The Group will also deepen the development path of "Characteristic Production Area + Unique brand + Distinctive Experience" with the help of these products with regional features.

During the Period, the Group actively intensified its digital transformation in sales. In 2020, the Group successfully entered into agreements with AntChain and 58 Youpin. Each of the three parties has advantages in the upstream of the wine industry chain, data and financial services, as well as new retail. In the future, relying on the support policies of Tonghua government at all levels, the open ecosystem of AntChain, Internet financial services and technology platforms, the Group will make full use of the geographic advantages of raw materials of Tontine Wines and integrate into the new retail model of 58 Youpin to further achieve an alliance between giants and complementary advantages, with a view to provide higher quality products and more satisfactory consumer experience for customers.

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. It has been awarded numerous honours in international authoritative wine competitions. In May 2021, Tontine Wines' "Minus Nine Degrees · Tongtian White Ice Wine 2016 (Vidal)" 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" 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, showcasing the power of Chinese organic wine to the world. The international influence and market share of domestic wines are increasing day by day.

Looking ahead, Mr. Wang said: "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. The Group will adhere to brand leadership and optimise product structure, enrich the types of health products, launch more high-quality domestic products with market competitiveness as represented by ginseng wine, in response to the trend of rising proportion of household consumption and self-drinking consumption. The Group will deepen its strategic cooperation with AntChain and 58 Youpin, and accelerated its digital transformation progress. With the support of digital technologies, the synergistic advantages of new retail channels have become more prominent."

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.

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 118 types of wine products sold through 90 distributors in 20 provinces, 3 autonomous regions and 4 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: Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Six Months Ended 30 June 2021)

China Tontine Wines Group Limited
(Stock code: 0389)
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
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	64,492	56,088
Cost of sales	<u>(46,375)</u>	<u>(77,924)</u>
Gross profit/(loss)	18,117	(21,836)
Other income, gains and losses	(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	1,555	1,730
Change in fair value of convertible bonds	(1,585)	–
Finance costs	<u>(89)</u>	<u>(854)</u>
Loss before tax	(6,461)	(74,179)
Income tax expense	<u>–</u>	<u>–</u>
Loss and total comprehensive expense for the period	<u>(6,461)</u>	<u>(74,179)</u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(7,908)	(70,881)
Non-controlling interests	<u>1,447</u>	<u>(3,298)</u>
	<u>(6,461)</u>	<u>(74,179)</u>
Loss per share		
Basic (RMB cents)	<u>(0.39)</u>	<u>(3.52)</u>
Diluted (RMB cents)	<u>(0.39)</u>	<u>(3.52)</u>