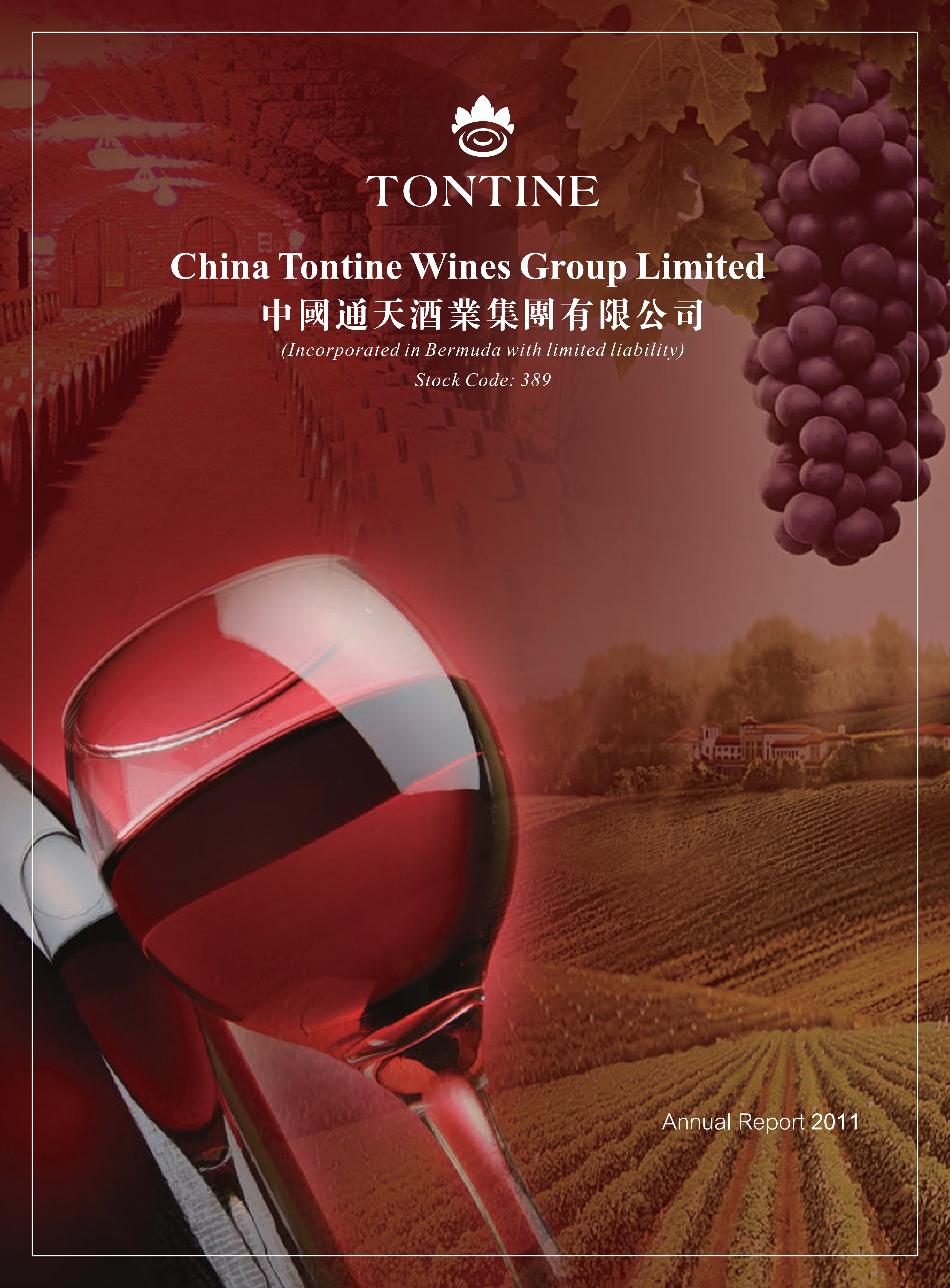
TONTINE

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



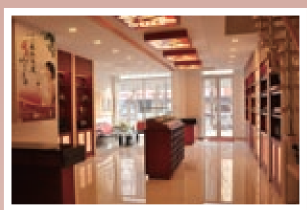
Annual Report 2011

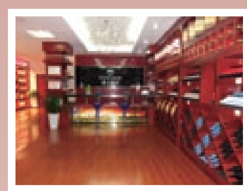
SIGNIFICANT EVENTS OF THE YEAR

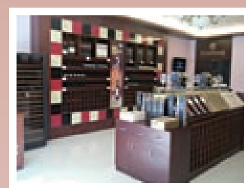
The Company entered into a memorandum of understanding with Yantai Baiyanghe Winery Co., Inc.

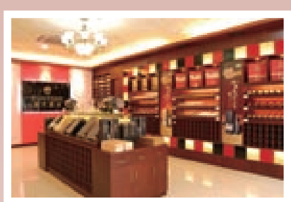
New series of Tontine Wines advertisement were launched in 2011.

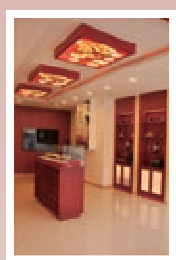
Self-operated vineyards in Ji'An have been set up in 2011.

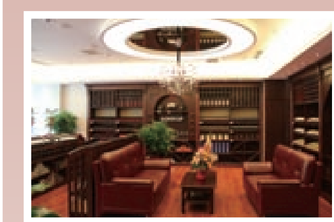






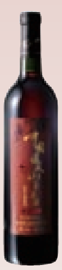






Retail shops were launched in major cities as sales and marketing platforms for Tontine brand products, and provide marketing support to the distributors.

2011 New Products



China Tontine Mountain Grape Wine (Bottles For Sharing)
中國通天
山葡萄酒
(樽享同酩)

Tontine Ice White Wine
通天冰白
葡萄酒

Tontine Mountain Grape Dry Wine (Cellar Ageing)
通天干紅
山葡萄酒
(窖藏瓶儲)

China Tontine Mountain Grape Wine (Premium Selection)
中國通天
山葡萄酒
(特選山)

China Tontine Mountain Grape Wine (Blueberry)
中國通天
山葡萄酒
(藍莓山)

Tontine Mountain Grape Dry Wine (Bottle Ageing)
通天干紅
山葡萄酒
(瓶儲陳釀)

CONTENTS

Financial Highlights

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Note 12)	*(Note 12)*
Profitability data					
Revenue	**830,084**	703,514	584,336	486,708	391,570
Gross profit	**479,086**	413,871	338,191	276,939	209,009
Profit and total comprehensive income for the year attributable to owners of the Company	**188,835**	208,125	174,105	136,788	105,231
Basic earnings per share					
– basic *(RMB cents) (Note 1)*	**9.4**	11.9	12.7	10.3	7.9
– diluted *(RMB cents) (Note 2)*	**9.4**	11.9	N/A	N/A	N/A

	Year ended 31 December				
	2011	2010	2009	2008	2007
Profitability ratios					
Gross profit margin	**57.7%**	58.8%	57.9%	56.9%	53.4%
Profit margin	**22.7%**	29.6%	29.8%	28.1%	26.9%
Effective tax rate	**35%**	31%	30%	32%	24%
Return on equity *(Note 3)*	**11.0%**	15.9%	26.0%	44.5%	46.5%
Return on assets *(Note 4)*	**10.2%**	14.7%	22.9%	37.5%	38.9%
Operating ratios (as a percentage of revenue)					
Advertising and marketing expenses	**8.5%**	6.1%	5.3%	4.5%	10.7%
Staff costs	**4.3%**	4.4%	3.5%	3.4%	3.0%
Research and development	**0.3%**	0.2%	0.2%	0.2%	0.3%

Notes:

1. The calculation of basic earnings per share is based on the profit and total comprehensive income for the year attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the relevant period.

2. The calculation of diluted earnings per share for the year ended 31 December 2011 and 2010 does not assume the exercise of the Company's share options as the exercise price of those share options granted during the year ended 31 December 2010 was higher than the average market price per share from the date of grant to 31 December 2011.

   No diluted earnings per shares for the year ended 31 December 2007, 2008 and 2009 (the "Period") as there are no potential dilutive ordinary share outstanding during the Period.

3. Return on equity is equal to the profit and total comprehensive income for the year attributable to owners of the Company divided by the average balance of total equity including amount due to a shareholder as at the beginning of each year and as at the end of each year.

4. Return on assets is equal to the profit and total comprehensive income for the year attributable to owners of the Company divided by the average balance of total assets as at the beginning of each year and as at the end of each year.

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Note 12)	*(Note 12)*
Assets and liabilities data					
Non-current assets	**320,364**	268,208	106,399	109,072	88,955
Current assets	**1,625,852**	1,499,305	961,094	341,168	191,104
Current liabilities	**110,017**	93,987	79,515	71,466	132,755
Non-current liability	**34,707**	27,555	17,428	7,572	–
Shareholders' equity	**1,801,492**	1,645,971	970,550	371,202	147,304

	As at 31 December				
	2011	2010	2009	2008	2007
				(Note 12)	*(Note 12)*
Other key financial ratios and information					
Current ratios *(Note 5)*	**14.8**	16.0	12.1	4.8	1.4
Quick ratios *(Note 6)*	**13.0**	13.9	10.2	2.8	0.5
Gearing ratio *(Note 7)*	**–**	–	–	–	34.2%
Net asset value per share *(RMB) (Note 8)*	**0.9**	0.8	0.6	N/A	N/A
Inventory turnover days *(days) (Note 9)*	**282**	287	284	302	318
Trade receivables turnover days *(days) (Note 10)*	**60**	58	56	54	51
Trade payables turnover days *(days) (Note 11)*	**33**	30	28	27	40

Notes:

5. Current ratio equals current assets divided by current liabilities as at the end of each year.

6. Quick ratio equals current assets minus inventory, divided by current liabilities as at the end of each year.

7. Gearing ratio equals the debts incurred in the ordinary course of business divided by total assets as at the end of each year.

8. The calculation of net asset value per share for the year ended 31 December 2010 is based on the total number of shares in issue after the Company's placing of its shares on 9 November 2010 and at the end of the year.

   The calculation of net asset value per share for the year ended 31 December 2009 is based on the total number of shares in issue immediately after the Company's share offer (by way of placing and public offer) and listing of its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 19 November 2009 and at the end of the year.

9. Inventory turnover days are computed by dividing the average of the beginning and closing inventory balance in the respective financial year by cost of sales (excluding consumption tax) and multiplied by 365 days.

10. Trade receivables turnover days are computed by dividing the average of the beginning and closing trade receivables balance in the respective financial year by revenue and multiplied by 365 days.

11. Trade payables turnover days are computed by dividing the average of the beginning and closing trade payables balance in the respective financial year by cost of sales (excluding consumption tax) and multiplied by 365 days.

12. The financial data of the Company for the year ended 31 December 2007 and 2008 and information as to its financial position as at 31 December 2007 and 2008 are extracted from the Company's prospectus dated 5 November 2009.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Guangyuan
Mr. Zhang Hebin
Ms. Wang Lijuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sih Wai Kin, Daniel
Mr. Lai Chi Keung, Albert
Mr. Li Changgao

COMPANY SECRETARY

Mr. Sum Chi Kan, *CISA, FCCA*

AUDIT COMMITTEE

Mr. Sih Wai Kin, Daniel *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Li Changgao

REMUNERATION COMMITTEE

Mr. Sih Wai Kin, Daniel *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Li Changgao

NOMINATION COMMITTEE

Mr. Lai Chi Keung, Albert *(Chairman)*
Mr. Wang Guangyuan
Mr. Li Changgao

AUTHORISED REPRESENTATIVES

Mr. Wang Guangyuan
Mr. Sum Chi Kan

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Hong Kong

As to Bermuda law

Conyers Dill & Pearman
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Hamilton HM 11
Bermuda

As to PRC law

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Hong Kong

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Jilin Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

BRANCH REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

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Bank of China Tower Branch
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Hong Kong

Agriculture Bank of China
Tonghua County Branch
No. 679 Changzheng Road
Kuaidamao Town, Tonghua County
Jilin Province
PRC

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

COMPANY WEBSITE

http://www.tontine-wines.com.hk
(information on the website does not form part of this annual report)

SHARE INFORMATION

Listing date: 19 November 2009
Stock name: Tontine Wines
Number of issued shares as at 31 December 2011: 2,013,018,000 shares
Board lot: 2,000 shares

STOCK CODE

389

FINANCIAL YEAR-END DATE

31 December

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Tontine Wines Group Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "Year").

During the Year, the Group faced what can probably be described as the most challenging business climate in recent years. The global economic recovery has been weaker than expected while Europe continues to be plagued by the debt crisis as fears of contagion persist. Even in the heartland of the Group's business – China – the outlook is not entirely rosy: in an attempt to prevent the economy from over-heating and to keep inflation under control, the Chinese government has taken repeated measures to raise interest rates and bank reserve requirement ratios. These measures have begun to take the stream out of a vibrant economy. At the same time, the prices of raw materials have continued to surge despite the faltering global economy. These factors have continued to negatively impact upon the Group's business. Consequently, although turnover continued to grow strongly, reaching approximately RMB830.1 million, representing a growth of 18.0%, the profit and total comprehensive income for the year declined to approximately RMB188.8 million, or 9.3% decrease compared to last year.

Basic earnings per share for the Year were RMB9.4 cents (2010: RMB11.9 cents). The Board has recommended to declare a final dividend of HK2.88 cents (equivalent to RMB2.34 cents) (2010: HK3.00 cents (equivalent to RMB2.55 cents)) per share to share with shareholders the fruits of our rapid development.

Although the People's Bank of China has raised the reserve requirements and the benchmark interest rates, China still achieved a satisfactory growth in 2011. We believe that the Chinese economy is still in good shape. We could see that the consumer sentiment and demand for high quality products are robust and that there is a raising trend that many people are now looking for a natural and healthy lifestyle. Based on our core competences and unique competitive advantages in grape wines products, especially in sweet wine products, the Group should be able to take advantages of this opportunity to expand our business, and to increase our revenue by introducing different types of high-end grape wine products and strengthening its products mix. During 2011, 6 types of new products have been launched in the market, and all were well-received by our customers.

On 7 November 2011, the Company entered into a memorandum of understanding (the "MOU") with 烟台白洋河酿酒有限责任公司 (Yantai Baiyanghe Winery Co., Inc*) (the "Target"), an independent third party of the Group, for the possible acquisition by it of certain equity interest of and/or investment in the Target (the "Proposed Transaction"). Consummation of the Proposed Transaction may result in the Group ultimately holding approximately 60% equity interest in the Target. The proposed transaction, if it proceeds, is expected to be subject to, among other things, various conditions to be agreed and the signing of a legally binding definitive agreement (the "Formal Agreement") by the parties to the MOU. Under the MOU, the Group has been granted an exclusive right to negotiate with the counter-parties to the MOU (including the Target) the details terms and conditions of the Formal Agreement up to 31 December 2012.

The Target is a limited liability company established in the Shandong Province of The People's Republic of China (the "PRC"). It is principally engaged in the production and sale of alcoholic beverages. Its wine portfolio contains approximate 80 types of wine products and stretches across, among others, grape wine, brandy and rice wine in many varieties (including premium imported wines from countries overseas, like France, Australia and Chile).

* For identification purpose only

The Group is of the view that the Proposed Transaction, if materialized, would offer a good opportunity for the Group to expand its sales and distribution network in the PRC, enhance its wine products portfolio and strengthen its competitive position in the PRC.

The Group envisages that the implementation of the Proposed Transaction would (i) enlarge both the Group's own premium high-end grape wine and imported wine portfolios, enrich the Group's wine products portfolio and broaden its fine wine offering to its customers on the one hand and (ii) upgrade the Group's wine making technology, enhance the level of product quality, increase production capacity, achieve economies of scale and lower production costs through integration of the production lines of the two enterprises on the other hand. The Group also plans to integrate the sales and distribution channels of the two enterprises so as to expand the sales and distribution network of the Group and effectively reduce marketing and promotion expenses which, in turn, is expected to enhance the Group's profitability in the long-run. All the above factors are expected to offer synergy effects and complementary benefits realization, allow resources-sharing, provide incentive for long-term collaboration and ultimately achieve a win-win situation for the Group and the Target, which are instrumental to the future business development of the Group.

Looking forwards, the Group has taken actions to further improve its management structure and its operations in area such as effectively lowering operational costs, maximizing its advantages in procurement and logistics, as well as increasing efforts in research and development.

Moreover, the Group will continue strengthen its edges in network deployment and land additional footholds in second-tier and third-tier cities where consumption power is on the rise. The Group attaches importance to the value created for the Group from the network locations and therefore will continue to strengthen the cooperation with distributors whilst provide training and guidance in order to improve the sales.

We expect that, barring any unforeseen circumstances, the ongoing efforts of the Group to achieve operational excellence and optimum efficiencies could continue to bring a positive results for the Group and better return to its shareholders in the long run.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to our management and all staff for their continuous efforts and whole-hearted devotion. We are also truly grateful to our shareholders, investors, business partners and customers for their enormous support and trust.

Wang Guangyuan
Chairman and Executive Director
22 March 2012

OVERVIEW

The business environment in the period under review was challenging but abundant with opportunities. The inflation control policies imposed by the Central Government, including the higher level of bank reserves and benchmark lending, controlled the momentum of rapid economic growth in China to a sustainable level. However, leveraging on its good reputation, leading position in the sweet wine industry and strong customer base, the Group overcame these challenges and maintained relatively stable development.

The Group recorded a revenue of approximately RMB830.1 million (2010: RMB703.5 million), representing an increase of approximately 18.0% for the year ended 31 December 2011 and the Group's profit and total comprehensive income attributable to owners of the Company decreased by approximately 9.3% to approximately RMB188.8 million (2010: RMB208.1 million).

The Company's basic earnings per share reached RMB9.4 cents (2010: RMB11.9 cents) based on the weighted average number of shares in issue during the Year.

The decline in profitability for the Year was mainly attributable to the newly imposed city construction tax and education surcharge to the Group's subsidiaries in mainland China, exchange loss due to Renminbi exchange rate fluctuation and the share option expenses for the share options granted during the year ended 31 December 2010.

BUSINESS REVIEW

Sales and distribution network

The Group sells substantially all of our products to distributors, who distribute and sell our grape wine products to third-party retailers, including supermarkets, and speciality stores selling tobacco and alcohol, food and beverage outlets such as restaurants, and hotel restaurants, as well as through their own direct sales distribution to end-consumers and other sub-distributors.

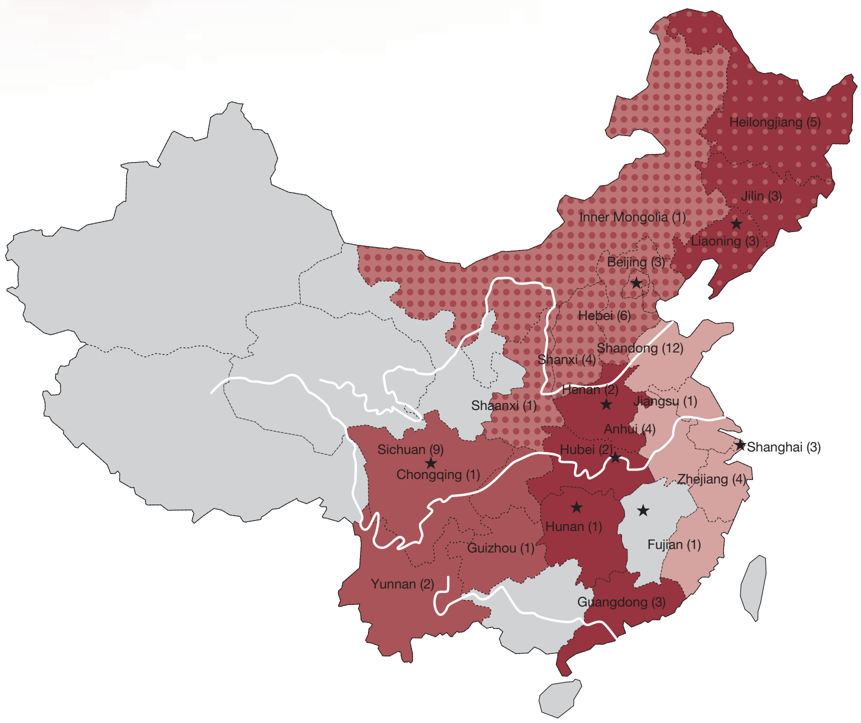
Generally, the Group selects distributors to distribute grape wines products within a designated geographical area and such selections are based on factors such as economic strength, sales network in the Group's target market, product knowledge, mutual goodwill and common objectives, good track record and successful experience in consumer goods distribution, and high moral integrity, credibility and social standing.

The Group constantly reviews the performance of the distributors within its sales and distribution network. During the year under review, 5 new distributors were appointed, and cooperation with 4 distributors was terminated by the Group after careful selection and evaluation. As at 31 December 2011, the Group's products were sold through 72 distributors in 19 provinces and 3 municipal cities in the PRC. All distributors are independent third parties and are generally engaged in the business of distributing and selling of grape wine products.

The Group enters into a standard distribution agreement with each of our selected distributors for a period of one year and following successful negotiation between the parties upon the expiry of the existing distribution agreements, the Group will renew such agreements with distributors each year. In order to facilitate and assist the marketing and sale of the Group's products by its distributors, the Group bears the delivery costs and implements advertising strategies primarily through television commercials, billboards and magazines to emphasize the health benefits of moderate consumption of grape wines in order to establish consumer loyalty and strengthen the popularity of our products.

The Group does not have any ownership or management control over its distribution network. In order to supervise these distributors, the Group assigns sales managers to work closely with the distributors in order to monitor their performance and obtain market feedback on the Group's products. In addition, the Group conducts annual appraisals of the performance of our distributors to determine whether the Group will renew the distribution agreements with them, taking into consideration their sales network, promotion approach, creditability and inventory accumulation.

The following map illustrates the Group's distribution network in the PRC as at 31 December 2011:



Notes:

1. : North-East Region includes Provinces of Liaoning, Jilin and Heilongjiang.
2. : Northern Region includes Provinces of Hebei, Shaanxi, Inner Mongolia, Shanxi and city of Beijing.
3. : Eastern Region includes Provinces of Jiangsu, Zhejiang, Anhui, Fujian, Shandong and city of Shanghai.
4. : South-Central Region includes Provinces of Henan, Hubei, Hunan and Guangdong.
5. : South-West Region includes Provinces of Sichuan, Yunnan, Guizhou and city of Chongqing.
6. The number of distributors of our products in each province or municipality is set next to the name of the relevant province or municipality.
7. ★ : Tontine retail shops located in Beijing, Chengdu, Dengfeng, Jian, Shanghai, Shenyang, Wuhan and Xiangtan.

The following table sets forth a breakdown of our revenue by sales region for the Year:

	2011		2010	
	RMB'000	***%***	*RMB'000*	*%*
North-East *(Refer to note 1 above)*	**122,973**	**14.8%**	104,220	14.8%
Northern *(Refer to note 2 above)*	**163,265**	**19.7%**	138,337	19.7%
Eastern *(Refer to note 3 above)*	**269,225**	**32.4%**	226,809	32.2%
South-Central *(Refer to note 4 above)*	**105,360**	**12.7%**	90,589	12.9%
South-West *(Refer to note 5 above)*	**169,261**	**20.4%**	143,559	20.4%
Total	**830,084**	**100.0%**	703,514	100.0%

The geographical distribution of our sales remained relatively stable. Revenue derived from our sales in the eastern region of China made the largest contribution to our total revenue. The eastern region of China is our largest market with the highest number of distributors, as it is a comparatively more affluent region in the PRC with relatively high levels of per capita income, where consumers have a general preference towards wine products over other alcoholic beverages. The south-west and northern regions of China are also our significant markets, where some of our key distributors are located.

The Group will continue to expand and optimize its distribution network by working closely with the Group's distributors and leveraging their local resources and business networks.

Supply of grapes

Production of quality grape wine products is highly dependent upon sufficient supply of quality grapes and grape juice. Currently, we source our supply of grapes from 285 local grape farmer suppliers, whose vineyards are located in the regions around Ji'An City, Jilin Province, the PRC at the foothills of the Changbai mountain range on the banks of the Yalu river. In order to maintain reliable and stable supplies of quality grapes to meet our needs, we have entered into a 20 year long-term contract with each of our grape farmer suppliers and our vineyard management team supervises the planting, nurturing and harvesting of the grapevines. To ensure we have reliable and solid supplies of quality grapes and grape juices to meet the production needs of our growing business as well as our expanded production capacity, the Group has kept identifying new grape farmers and grape juices suppliers, who meet our quality requirements and thorough tests are conducted on the grapes and grape juices they produce. These procedures ensure we procure quality grape farmers and grape juices suppliers.

Production capacity

The Group's new production facilities in Tonghua County, Jilin Province, were built and completed in the fourth quarter of 2010, thereby increasing the Group's annual production capacity to 39,000 tonnes. The expansion has enabled the Group to promptly response to market demand and further enhance the overall cost effectiveness in the long run.

Business outlook

There are initial signs that China's recent rounds of credit tightening measures are beginning to take effect. Keeping a lid on inflation remains the biggest challenge but the general consensus is that the economic growth will still be maintained at a moderate rate whilst the longer-term fundamentals for the industry remain unchanged in that increasing urbanization and household income will be key drivers to generate an increase in the demand for the grape wine products.

The Group has considerable advantages in a more competitive environment. Higher brand equity, a comprehensive network, products leadership and a strong management team will ensure that the Company will continue to create value for its shareholders. The business development plans and strategies of the Group as disclosed below are set for the coming years:

Develop Tontine wine estate

The Group plans to develop a wine estate in Ji'An City, Jilin Province, to produce a premium range of our estate bottle wines from high quality grapes. Wines produced by the wine estate, which will be labelled as "Estate Bottled", will be produced from high quality grapes grown in our self-operated vineyards within our wine estate. Our wine estate, with vineyards covering a total area of approximately 2,000 mu*, will be installed with wine production and wine cellaring facilities and is expected to have an annual yield of around 500 tonnes (approximately 600,000 bottles (750 ml)). During the Year, vineyards in the region that covers a total area of approximately 300 mu has been set up and planted with Beibinghong (北冰紅).

Develop Tontine wine cellar

The Group plans to develop wine cellaring capabilities to complement our production facilities in Tonghua County, Jilin Province. A wine cellar is a place where a stock of wine is properly stored under a controlled environment to undergo an ageing process to produce a range of winery products. The storage capacity of the wine cellar is designed to accommodate an ample storage for the holding or processing of up to approximately 600,000 bottles (750 ml).

Expand and develop distribution network

The Group plans to enhance our current sales and distribution network throughout the PRC by establishing not less than 20 Tontine retail shops in certain selected markets in the PRC. As at the date of this annual report, retail shops were launched in 8 cities (Beijing, Chengdu, Dengfeng, Jian, Shanghai, Shenyang, Wuhan and Xiangtan). We plan to establish not less than 5 retail shops in 2012. These retail shops will serve as sales and marketing platforms for Tontine brand products, and provide marketing support to our distributors.

* 1 mu equals to approximately 667 square metres.

Explore opportunities to expand our market share

The Group adopts a proactive but prudent approach in pursuing business opportunities with growth potentials and which the Board believes would bring synergy or be complementary to achieving the Group's long-term goal in taking a leadership role in the wine industry in the PRC. The proposed acquisition of certain equity interest of and/or investment in 烟台白洋河酿酒有限责任公司 (Yantai Baiyanghe Winery Co., Inc.*), which is principally engaged in the production and sale of alcoholic beverages with wine portfolio containing approximately 80 types of wine products (as announced by the Company in November 2011) would, if materialized, be expected to enable the Group to increase its production capacities, benefit from synergies, access new markets, broaden customer base and achieve economies of scale in the long run. All these factors are instrumental to the business growth and development of the Group. The proposed transaction, if successfully consummated, would represent an important milestone in the development of the business of the Group.

Looking forward, notwithstanding the negative sentiments on the back of the sovereign debt crises in Europe, the Group remains positive in its outlook on Chinese economy and on grape wine markets largely due to the ongoing strength of consumer spending and internal demand in China.

To meet future challenge, the Group will continue to implement its strict cost control measures, and continue to expand and deepen its sales and distribution system, which involves increasing the number of distributors and selling points and opening up more sales channels in order to expand the Group's business coverage nationwide from first to second- and third-tier cities to towns and villages.

In respect of its product mix for expansion and optimisation, the Group will continue to develop more products with huge potential to cater for the demand of different customers.

Meanwhile, the Group will continue to proactively identify potentially favourable expansion, merger and acquisition opportunities, so as to enhance the Group's profitability and bring maximum returns to shareholders.

* *For identification purpose only.*

FINANCIAL REVIEW

Revenue

Revenue represents proceeds from the sale of grape wine products. Our revenue increased by approximately 18.0% to approximately RMB830.1 million for the year ended 31 December 2011 from approximately RMB703.5 million in 2010. Our customers mainly comprised regional distributors in the PRC and we sold our products to our distributors at prices ranging from approximately RMB5.9 to RMB115.0 per bottle. The growth in revenue was due to a satisfactory increase in sales volume. The following table sets forth a breakdown of the Group's revenue for the Year:

	2011		2010		Growth of
		% of total		*% of total*	Revenues
	RMB'000	***revenues***	*RMB'000*	*revenues*	*(%)*
Revenue					
Sweet wines	**573,709**	**69.1%**	498,164	70.8%	15.2%
Dry wines	**256,375**	**30.9%**	205,350	29.2%	24.8%
Total	**830,084**	**100.0%**	703,514	100.0%	

Revenue derived from the sale of our sweet wine products is generally higher than that of our dry wine products primarily because of our business strategy in focusing on the promotion of our sweet wine products which have better profit margins.

The following table sets forth the number of units sold and the average selling prices of the Group's products for the Year:

	2011		2010	
	Total units sold	**Average[1] selling price**	Total units sold	Average[1] selling price
		RMB'000		*RMB'000*
	tonnes	***per tonne***	*tonnes*	*per tonne*
Revenue				
Sweet wines	**14,823**	**38.7**	12,997	38.3
Dry wines	**8,683**	**29.5**	7,017	29.3
Total	**23,506**	**35.3**	20,014	35.2

During the Year, we did not adjust the individual selling prices of our products. However, the overall average selling prices of our sweet and dry wine products have increased as a result of a shift in our sales mix towards products with higher gross profit margin, which are generally products with higher selling prices, as we focused on growing the sales of such products.

[1] Weighted average selling prices of sweet or dry wine products (as applicable) taking into account the actual sales volume of each wine product.

Cost of sales

	2011		2010	
	RMB'000	%	*RMB'000*	%
Raw materials				
– Grapes and grape juice	**149,880**	**42.7%**	132,798	45.8%
– Yeast and other additives	**9,282**	**2.7%**	8,635	3.0%
– Packaging materials	**81,213**	**23.1%**	67,930	23.5%
– Others	**829**	**0.2%**	682	0.2%
Total raw material cost	**241,204**	**68.7%**	210,045	72.5%
Production overheads	**12,185**	**3.5%**	7,619	2.6%
Consumption tax and other taxes	**97,609**	**27.8%**	71,979	24.9%
Total cost of sales	**350,998**	**100.0%**	289,643	100.0%

The principal raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives as well as packaging materials including bottles, bottle caps, label, corks and packing boxes. During the Year, the cost of grapes and grape juice were the key component of cost of sales and accounted for approximately 42.7% of the Group's total cost of sales. The percentage of the total raw material cost to total cost of sales decreased approximately 3.8% from approximately 72.5% to approximately 68.7% primarily as a result of our target effect in promoting the sale of our products with high gross profit margins, the raw material costs of which typically represent a lower percentage of their respective sale price.

Production overheads primarily consist of depreciation, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses for production. The percentage of production overheads to total cost of sales increased approximately 0.9% from approximately 2.6% to approximately 3.5% mainly due to the increase of depreciation, labour cost and other overheads as a result of the completion of production capacity expansion from 19,000 tonnes to 39,000 tonnes per annum in the fourth quarter of 2010.

The consumption tax and other taxes increased approximately 2.9% from approximately 24.9% to approximately 27.8% mainly due to the newly imposed city construction tax and education surcharge to the Group's subsidiaries in mainland China.

Gross profit and gross profit margin

Gross profit is calculated based on the Group's revenue less cost of sales. During the Year, the gross profit of the Group increased approximately 15.8% from approximately RMB413.9 million to approximately RMB479.1 million. This was mainly attributable to the increase in the sales volume of our grape wine products, particularly in our products with higher profit margins.

Our average gross profit margin decreased approximately 1.1% from approximately 58.8% to approximately 57.7%. This was mainly attributable to the increase in our cost of sales for reasons stated above.

Selling and distribution expenses

Selling and distribution expenses mainly comprise advertising and promotional expenses, transportation costs, sales commission paid and miscellaneous expenditures related to our sales and marketing personnel.

During the Year, the selling and distribution expenses increased and accounted for approximately 14.4% (2010: 12.0%) of the Group's revenue. The slight increase in selling and distribution expenses was primarily attributable to (i) increase in sales commissions as a result of the higher revenue achieved for the Year; (ii) increase in transportation costs which was broadly in line with increase in sales; and (iii) increase in advertising and promotional charges by 64.2% to approximately RMB70.6 million (2010: RMB43.0 million), as we continue to engage in brand building activities, such as mass media advertising.

Administrative expenses

Administrative expenses mainly comprise salaries and welfare benefits paid, directors' fees, product development expenses, insurance premium, other tax expenses, depreciation and amortization expenses and other incidental administrative expenses.

In 2011, administrative expenses represented 9.1% of our revenue and increased from approximately RMB32.3 million for the financial year 2010 to approximately RMB75.7 million for the financial year 2011. The increase was mainly attributable to: (i) the share option expense of approximately RMB21.4 million for the share options granted during the year ended 31 December 2010; (ii) exchange loss of approximately RMB20.4 million due to Renminbi exchange rate fluctuation; and (iii) the administrative staff salaries and the expenses related to the Hong Kong office.

Income tax expenses

Tax represents amounts of PRC enterprise income tax charged at the applicable tax rates in accordance with the relevant law and regulations in the PRC. Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the enterprise income tax rate of the subsidiary of the Company incorporated in the PRC had changed to 25% with effect from 1 January 2008. For the year ended 31 December 2011, the effective tax rate of the Group increased to approximately 34.8% (2010: 31.0%). Our effective tax rates were higher than our PRC enterprise income tax rate because (i) commencing from 1 January 2008, the amount of our taxation also included deferred tax calculated at the applicable withholding tax rate of the undistributed earnings of the PRC subsidiary derived on or after 1 January 2008 pursuant to the joint circular of the Ministry of Finance and State Administration of Taxation (Cai Shui 2008 No. 1) and (ii) more expenses in Hong Kong office (including share option expenses and exchange loss) were not allowed to be deducted under the PRC enterprise income tax law for the Year.

Profit and total comprehensive income for the year attributable to owner of the Company

The profit and total comprehensive income for the year attributable to owner of the Company decreased from approximately RMB208.1 million in 2010 to approximately RMB188.8 million in 2011, representing a decrease of approximately 9.3%, primarily as a result of the factors described above.

Trade receivables analysis

We grant a credit period of 90 days for our distributors except for new customers which payment is made when goods are delivered.

As at 31 December 2011, the trade receivables were approximately RMB149.0 million (2010: RMB125.6 million) and average trade receivables turnover days were approximately 60 days (2010: 58 days). The average trade receivables turnover days slightly increased in 2011 primarily due to our granting of credit periods to new customers who started purchasing our products in 2010.

Trade payables analysis

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

As at 31 December 2011, the trade payables were approximately RMB25.4 million (2010: RMB20.1 million) and average trade payables turnover days were approximately 33 days (2010: 30 days). The average trade payables turnover days increased primarily due to the increased purchase of raw materials toward the year end in preparation for the expected increase in sales in December 2011 and early 2012.

Inventories analysis

We generally maintain our inventories at certain acceptable levels to meet the seasonal, market and other commercial needs.

As at 31 December 2011, the inventories were approximately RMB198.1 million (2010: RMB193.3 million) and average inventory turnover days were approximately 282 days (2010: 287 days). The inventory turnover days for our business are generally higher because we procure all the grapes, being the principal raw material for the production of our grape wine products, required for our production during the harvesting months between September and November for each year which will then be consumed in the course of production until the next harvest of grapes in the following year. The shorter average inventory turnover days during the Year was primarily the result of faster sale of products.

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.

The net proceeds derived from the fund raising activities of the Company that were not already used for the intended purposes have been placed on short term deposit in Hong Kong and in the PRC. The Company also pays dividends in Hong Kong dollars when dividends are declared. The Directors consider that the Group has limited foreign currency exposure because our operations are conducted in the PRC. Sales and purchases are mainly denominated in RMB. In view of the minimal foreign currency exchange risk, we would closely monitor the foreign currency movement instead of entering into any foreign exchange hedge arrangement.

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

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

Liquidity and financial resources

Our working capital was healthy and positive for the financial years 2010 and 2011 and we generally financed our operation with internal cash flows generated from operations for the past years.

Our net working capital continued to improve during the year ended 31 December 2011. As at 31 December 2011, we recorded a net current assets position of approximately RMB1,515.8 million (2010: RMB1,405.3 million). The improvement was primarily due to an increase in our bank balances and cash by approximately of RMB97.0 million as a result of the improvement in our business performance in 2011.

Use of proceeds

The Company was officially listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 November 2009 by way of placing and public offer (the "IPO") as disclosed in the prospectus of the Company dated 5 November 2009 (the "Prospectus") with net proceeds of approximately HK$438.9 million raised from the IPO.

On 9 November 2010, the Company entered into a placing and subscription agreement (the "Placing and Subscription") in which an aggregate of 300,000,000 new shares in the Company were placed and subscribed for at HK$2.08 per share. Net proceeds of approximately HK$594.1 million (equivalent to approximately RMB505.0 million) were raised from the Placing and Subscription.

The use or intended use of proceeds from the IPO and the Placing and Subscription is set out below:

	IPO	**Placing and Subscription**	**Utilised**	**Unutilised as at 31 December 2011**
	HK$ million	*HK$ million*	*HK$ million (Note)*	*HK$ million*
Expansion of production facilities	113.6	–	(113.6)	–
Development of wine estate	68.2	–	(54.0)	14.2
Development of wine cellar	45.5	–	(45.5)	–
Developing and increasing awareness of our brand	105.2	–	(105.2)	–
Expansion of distribution network	52.6	–	(5.9)	46.7
General working capital, future acquisition and other general corporate purposes	53.8	594.1	(149.2)	498.7
Total	438.9	594.1	(473.4)	559.6

As at 31 December 2011, the unutilised net proceeds were placed in short term bank deposit in Hong Kong and in the PRC.

Note: The application of the proceeds was in line with the intended use of proceeds as disclosed in the Prospectus and the announcement of the Company dated 9 November 2010 relating to the Placing and Subscription.

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 enroll 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.

As at 31 December 2011, the Group employed a work force of 410 (including Directors) in Hong Kong and in the PRC (2010: 374). The total salaries and related costs (including the Directors' fee) for the year ended 31 December 2011 amounted to approximately RMB35.9 million (2010: RMB30.8 million).

Capital commitments and charges on assets

The Group made capital expenditure commitments including approximately RMB100.4 million that was authorised but not contracted for and approximately RMB95.7 million contracted but not provided for in the consolidated financial statements as at 31 December 2011. These commitments were required mainly to support the Group's production capacity expansion. The funding of such capital commitments will be paid out of the net proceeds of the IPO as stated in the Prospectus and cash generated from operating activities.

As at 31 December 2011, none of the Group's assets was pledged (2010: nil).

EXECUTIVE DIRECTORS

Mr. Wang Guangyuan (王光遠), aged 50, was appointed as our executive Director on 8 September 2008, and is the chairman of our Board and the chief executive officer of our Company. Mr. Wang is one of the founding management team members of Tonghua Tongtian Winery Co., Ltd ("Tonghua Tongtian") since its establishment in 2001. He is responsible for overall business strategy and development and management of our Group. Prior to establishing our Group, from November 1986 to August 2000 he served with Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange, and in September 1995 he was promoted to be a deputy general manager. Mr. Wang is currently a member of the People's Representative of Tonghua City 6th People's Congress (通化市第六屆人民代表大會代表) and Tonghua County 16th People's Congress (通化縣第十六屆人民代表大會代表), the Vice Chairman of Tonghua County Industry and Commerce Association (通化縣工商業聯合會) and Tonghua County Non-government Commerce Chamber (通化縣民間商會), a standing director of Tonghua City Young Entrepreneurs Association (通化市青年企業家協會常務理事), and a member of the 10th Executive Committee of Jilin Provincial Young Entrepreneurs (吉林省青年聯合會第十屆委員會). Mr. Wang was awarded as the "Outstanding Worker of Tonghua County 1996-2001" (1996-2001年通化縣勞動模範) by People's Government of Tonghua County (通化縣人民政府) in October 2002. He was also conferred the title of "Excellent Sales Manager" (優秀銷售總經理) jointly by China Winery Industry Association Grape Wine Sub-branch (中國釀酒工業協會葡萄酒分會) and China Agriculture Association Grape Sub-branch (中國農學會葡萄分會) in June 2006. He was certified as a senior economist by the Ministry of Finance of the PRC (中華人民共和國財政部) on 29 May 2003. Mr. Wang obtained a bachelor's degree of business management from Jilin University (吉林大學) in July 1993. Mr. Wang is the brother of Ms. Wang Lijuan, an executive Director of our Company, and Ms. Wang Lijun, a deputy general manager of our Company.

Mr. Wang is beneficially interested in the entire issued share capital of Up Mount International Limited ("Up Mount"), a 33.56% shareholder of the Company, and is also a director of Up Mount.

Mr. Zhang Hebin (張和彬), aged 51, was appointed as our executive Director on 8 September 2008. He is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. Prior to May 2011, he was primarily responsible for sales, marketing and products promotion of our Group. Since May 2011, he has assumed responsibility for and is in charge of the merger and acquisition activities of our Group. Prior to joining our Group, from April 1984 to August, 2000 he worked with Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange, and in February 1986 he was promoted to be a district sales manager. He obtained a junior college diploma of economic management from the Party School of Jilin Province Government (吉林省黨委校) and graduated in July 1991.

Mr. Zhang is beneficially interested in the entire issued share capital of Wing Move Group Limited ("Wing Move"), a 6.58% shareholder of the Company, and is also a director of Wing Move.

Ms. Wang Lijuan (王麗娟), aged 54, was appointed as our executive Director on 17 December 2008, and is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. She is responsible for overall administration and human resource matters of our Group. Prior to joining our Group, from December 1985 to August 2000 she worked at the Industry and Commerce Bank of China Tonghua Branch, and in April 1990 she was promoted to be a branch administrative manager. She has been nominated as a member of 8th Tonghua County's People's Political Consultative Conference (通化縣政協委員) in November 2006. She obtained a junior college diploma of accounting from Liaoning University (遼寧大學) in July 1990. Ms. Wang is the sister of Mr. Wang, the chairman of our Board and chief executive officer and an executive Director of our Company, and Ms. Wang Lijun, a deputy general manager of our Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sih Wai Kin, Daniel (薛偉健), aged 44, was appointed as our independent non-executive Director on 28 October 2009. Mr. Sih has been working with Manulife Asset Management (Hong Kong) Limited ("Manulife") as a senior manager since January 2011 and is primarily responsible for, among others, providing recommendation through financial and market analysis on planning, portfolio selection and management, and advice on various types of investment products. He is also responsible for overseeing strategies on funds' distribution and channel management of Manulife. Prior to joining Manulife and since July 2004, he worked with Convoy Financial Services Limited as a consultant, and was responsible for providing independent financial advice, conducting financial analyses and devising wealth management plans. Since June 2003, he worked in PC Asia Limited as a finance manager and was responsible for accounting, reporting, financial and treasury management of the company. From August 2002 to May 2003, he worked in ABC Communications (Holdings) Limited, a company currently listed on the Stock Exchange (stock code: 30) as a finance and administration manager and performed such functions as overseeing accounting, reporting and financial management of the company. From June 1994 to May 2000, he worked in the department of assurance and advisory business services of Ernst and Young (Hong Kong) and was promoted as a manager in October 2000 and responsible for conducting statutory audit and handling internal control engagements for companies listed or proposed to seek flotation in Hong Kong. Mr. Sih majored in Finance and Economics at the University of Western Ontario, Canada and graduated with a degree in Bachelor of Arts (administrative and commercial studies) in October 1989. Mr. Sih is licensed under the SFO to carry on Type 1 (dealing in securities) regulated activity. He obtained the Mandatory Provident Fund Intermediary Certificate from the Mandatory Provident Fund Schemes Authority in January 2008. Mr. Sih was also certified in November 2011 as a certified public accountant by the Montana Board of Public Accountants (MBPA), Montana State, USA.

Mr. Lai Chi Keung, Albert (黎志強), aged 50, was appointed as our independent non-executive Director on 28 October 2009. Mr. Lai has been working as the regional sales manager in Noble Jewelry Ltd., a company principally engaged in the design and manufacturing of jewelry which is listed on the Stock Exchange (stock code: 475) since 2009. Prior to that, he worked in Brilligems Jewellery Company Ltd. since 1995 and has been responsible for strategizing and managing international distribution channels for product lines throughout the US market. Mr. Lai worked in Luen On Jewellery Factory Ltd. as a sales manager from November 1983 to August 1988 and during the period he was promoted and relocated to the overseas subsidiary company Chanco, Inc. in Atlanta, Georgia, the US as an export and sales director from 1988 to 1995.

Mr. Li Changgao (李常高), aged 43, was appointed as our independent non-executive Director on 17 December 2008. He joined Beijing Jun Yong Law Office (北京市君永律師事務所) as a lawyer in October 2008. He worked in Beijing Tian Chi Law Office (北京天馳律師事務所) as a trainee from September 2002 to October 2008 and was qualified to practise as a lawyer since October 2008. From October 1995 to May 2001, he started working in the People's Court of Tonghua County (通化縣人民法院) as a court clerk (書記員) handling secretarial matters for a judge (審判員) and was later promoted as a Judge. From October 1990 to September 1995, he worked in the propaganda department of the Ministry of Justice of Tonghua County (通化縣司法局). Mr. Li graduated from Northeast Forestry University (東北林業大學) with a diploma of social sciences (politics) in July 1990, and from Jilin University (吉林大學) with a diploma of law in June 2001. He passed the national judicial examination held by the Ministry of Justice of the PRC (中華人民共和國司法部) and obtained the certificate of PRC legal professional qualification (中華人民共和國法律職業資格證書) in March 2004.

SENIOR MANAGEMENT

Mr. Wang Xiaoming (王曉鳴), aged 43, is the president of our Group in charge of the overall sales and operations for our Group in the PRC. Mr. Wang joined our Group in May 2011. He holds a post-graduate diploma in Chinese Studies from the Hunan City College (湖南城市學院) and was appointed as a MBA (Master and Business Administration) tutor for its MBA program (with an emphasis on sales and marketing) by the Graduate School of the Chinese Academy of Sciences (中國科學院研究生院), the PRC in October 2007. Mr. Wang is a senior economist in economic management. He has over 10 years' extensive and practical experience in sales planning, marketing, as well as corporate and operational management in the winery industry in the PRC. Mr. Wang was awarded with the "Outstanding Contribution Award in Grape and Grape Wine Industry" (葡萄與葡萄酒行業傑出貢獻獎) jointly by the China Winery Industry Association Grape Wine Sub-branch (中國釀酒工業協會葡萄酒分會) and the China Agriculture Association Grape Sub-branch (中國農學會葡萄分會) in June 2006.

Ms. Ji Chunhua (紀春花), aged 50, is the chief winemaker of our Company, and is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. She is responsible for product development, production and quality control. Prior to joining our Group, from May 1979 to August 2000 Ms. Ji worked as a technician in Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange and she was promoted as the head of the technical department in August 1988. She has been a member of Tonghua City Wine Jury Panel (通化縣葡萄酒、果酒評委) since March 1988 as well as a member of the 4th National Jury Panel for grape (fruit) wine (第四屆葡萄酒（果酒）國家評委) from 2007 to 2012. Ms. Ji was also a member of Jilin Province Jury Panel for Fruit and Grape Wine (吉林省果、葡萄酒評委) from 1990 to 1993. She has been awarded as "Excellent Wine Maker" (優秀釀酒師) jointly by China Winery Industry Association Grape Wine Sub-branch (中國釀酒工業協會葡萄酒分會) and China Agriculture Association Grape Sub-branch (中國農學會葡萄分會) in June 2006. She was also awarded as the "Most Charming China Wine Angel 2008" (最具魅力中國葡萄酒天使) by Huaxia Wine News (華夏酒報) in June 2008. Ms. Ji attended a training course on quality supervision on wine at Chengdu Technology University (成都科技大學) from January 1991 to March 1991. She graduated from Jilin Television University (吉林廣播電視大學) with a junior college diploma of enterprise management degree in July 1994.

Mr. Yu Dazhou (于大洲), aged 56, is the vineyard manager and winemaker of our Company and he joined our Group in August 2003. He is responsible for overseeing and managing the vineyards of the local grape farmers whom we have entered into long-term contracts with, in order to ensure optimal quality control throughout the entire growing, nurturing and harvesting stages of grape growing as well as the early production stage of base wine production from freshly harvested grapes. From May 1979 to December 1997, Mr. Yu worked at Ji'An Winery Factory (集安葡萄酒廠), and he was promoted to a deputy general manger in July 1988 and was responsible for technology. Mr. Yu worked in Ji'an Forestry Winery Factory (集安森林葡萄酒廠) from 1997 until it was acquired by our Group in 2003. Mr. Yu was appointed as a member of the 2nd National Jury Panel for Wine (第二屆果酒國家資格評委) since December 1995 for five years by China National Food Industry Association (中國食品工業協會). He graduated from Tianjin Light Industry College (天津輕工業學院) with a junior college diploma of food in July 1991.

Directors and Senior Management

Mr. Sun Yankun (孫延坤), aged 55, is a deputy general manager of our Company and is one of the founding management team members of Tonghua Tongtian since its establishment in 2001. He is responsible for our procurement and logistics. From December 1978 to August 2000, Mr. Sun served in Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange and in October 1997 he was promoted to a division chief in charge of raw materials and supply procurement. He graduated from Tonghua City No.11 High School (通化市第十一中學) in 1974.

Ms. Pei Zhilan (裴志蘭), aged 61, was a deputy general manager of our Company and was one of the founding management team members of Tonghua Tongtian since its establishment in 2001. Ms. Pei was responsible for reviewing and supervising the internal control systems of all the Company's subsidiaries in the PRC. Prior to joining our Group, from June 1993 to August 2000, she was the chief accountant in Tonhwa Winery Limited (通化葡萄酒股份有限公司), a wine company currently listed on the Shanghai Stock Exchange, and she was primarily responsible for corporate accounting matters. Ms. Pei graduated from Jilin Province Economic Management Institute (吉林省經濟管理幹部學院) with a junior college diploma of finance and accounting in April 1992. She was conferred her qualification of mid-level accountant in March 2003. Ms. Pei retired on 31 December, 2011.

Ms. Wang Lijun (王麗君), aged 44, is a deputy general manager of our Company. She joined our Group in January 2010 as executive manager. In December 2010, she was promoted to deputy general manager and is responsible for administration and human resources matters of all the Company's subsidiaries in the PRC. Prior to joining our Company, from August 2006 to September 2009, she worked in Dubon Property and Casualty Insurance Company Limited Jilin branch (都邦財產保險股份有限公司吉林分公司) as business general manager and was responsible for business management. From July 1994 to August 2006, she was the deputy general manager in China Pacific Life Insurance Company Limited Tonghua branch (中國太平洋人壽保險股份有限公司通化中心支公司) and responsible for administration matters. Ms. Wang graduated from Jilin Industry University (吉林工業大學) with a bachelor's degree in accounting in July 1998. Ms. Wang is the sister of Mr. Wang, the chairman of our Board and chief executive officer and an executive Director of our Company, and Ms. Wang Lijuan, an executive Director of our Company.

Mr. Li Jia (李郏), aged 34, is a vice president of our Company. He is primarily responsible for our corporate strategy and business development. Mr. Li joined our Group in October 2007. He has over 5 years of experience in grape wine industry and has held management positions at sales planning and marketing in grape wine products in the PRC market. Mr. Li graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) with a bachelor's degree in English in June 2000 and a bachelor's degree in international trade and economics in June 2001 (double-degree). Subsequently, he studied in France and graduated from the Institute d'Adminis des Entreprises (I.A.E.), Universite de Poitiers (the Institute of Business Administration, University of Poitiers) with a DESS in 2003. Mr. Li obtained the WSET Level 2 intermediate certificate in wines and spirits from a division of Wine & Spirits Education Trust Limited in November 2007 and is accredited as an international bordeaux wine educator by L'Ecole du Vin CIVB (the Bordeaux Wine School) from January 2008 to December 2010.

Ms. Zhao Dan (趙丹), aged 33, is the chief accountant of our Company. She joined our Group in September 2001 and is responsible for accounting matters of all the Company's subsidiaries in the PRC. In July 2010, Ms. Zhao was promoted from financial controller to her current position. Ms. Zhao graduated from Jilin University (吉林大學) with a higher diploma in finance and accounting in July 2000. She was conferred her qualification of mid-level accountant in May 2005.

Mr. Zhang Xuexin (張學鑫), aged 31, is a deputy general manager of our Company. He joined our Group in December 2001 and is responsible for project management of the Group. In December 2010, Mr. Zhang was promoted from project manager to his current position. Mr. Zhang graduated from Jilin University (吉林大學) with a higher diploma in economic in July 2002.

Ms. Feng Fu Qin (封福琴), aged 46, is the production manager of our Company. She joined our Group in September 2001 and was promoted from production supervisor to her current position in January 2011. Ms. Feng is responsible for supervising the overall production and manufacturing processes of the products of our Group. Prior to joining our Group, Ms. Feng had over 7 years' experience in production management. Ms. Feng graduated from Tianjin Light Industry College (天津輕工業學院) with a college diploma in chemistry in July 1992.

Mr. Kwok Yuen Ying, Riki (郭元英), aged 43, is the chief financial officer of our Group and is responsible for the financial and accounting management of our Group. Prior to joining our Group in September 2007, Mr. Kwok worked as the company secretary and the financial controller for Daqing Petroleum and Chemical Group Limited (大慶石油化工集團有限公司), a company involved in the manufacturing and sales of petroleum refined products which is listed on the Stock Exchange (stock code: 362) from September 2000 to October 2005. Mr. Kwok had over 10 years of experience in auditing, accounting and finance. Mr. Kwok holds a bachelor's degree in commerce from the University of Wollongong in Australia and is also an associate member of the Hong Kong Institute of Certified Public Accountants and Certified Practising Accountant of CPA Australia.

COMPANY SECRETARY

Mr. Sum Chi Kan (岑志勤), aged 40, is the company secretary and the vice president of the control and compliance department of our Company. Mr. Sum is responsible for the company secretarial functions and reviewing and supervising our Group's overall internal control systems and provides advice to the Board and audit committee. Mr. Sum is employed on a full-time basis and he is ordinarily resident in Hong Kong as required under Rule 8.17 of the Listing Rules. Mr. Sum joined our Group in May 2009 and is responsible for overseeing matters related to control and compliance of our Group. Prior to joining our Group, he has worked as internal control and compliance manager in J.V. Fitness Limited, a company involved in operating premium fitness centres across the Asia Pacific region. Mr. Sum had over 10 years of experience in auditing, control and compliance. In 1994, he graduated from the Hong Kong University of Science & Technology with a Bachelor degree in Accounting. In 2007, he graduated from the Hong Kong Polytechnic University with a master degree in corporate governance. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since March 2000 and became a fellow of the Association of Chartered Certified Accountants in June 2004. He was granted the qualification as a Certified Information System Auditor in September 2002 and that as a Certified Fraud Examiner in August 2007.

The Directors are pleased to present their annual report (the "Annual Report") and the audited financial statements of China Tontine Wines Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group continue to be the production and sales of grape wine in the mainland China. Revenue and contribution to operating profit are mainly derived from activities carried out in the mainland China. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 44 to 88.

The Directors recommend, subject to shareholders' approval at the forthcoming annual general meeting (the "AGM") to be held on 3 May 2012, the payment of a final dividend of HK2.88 cents (equivalent to RMB2.34 cents) (2010: HK3.00 cents (equivalent to RMB2.55 cents)) per share for the year ended 31 December 2011 to those shareholders whose names appear on the register of members of the Company on 11 May 2012. The final dividend is expected to be paid on or no later than 28 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 April 2012 to 3 May 2012 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited (the "Hong Kong Share Registrar"), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 26 April 2012.

The register of members of the Company will be closed from 10 May 2012 to 11 May 2012 (both days inclusive) for the purpose of determining shareholders who qualify for the final dividend. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong Share Registrar for registration by 4:30 p.m. on 9 May 2012.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB34.9 million on additions of property, plant and equipment mainly for the expansion and enhancement of its production capability. Details of movements in property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

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

During the Year, the Company purchased a total of 4,916,000 ordinary shares of HK$0.01 each in the Company on the Stock Exchange at an aggregate consideration of HK$3,931,840. All of the purchased shares were cancelled.

Month of the purchases	Total number of the ordinary shares purchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	*HK$*	*HK$*
August 2011	1,200,000	0.93	0.86	1,062,000
September 2011	2,200,000	0.96	0.60	1,744,000
October 2011	1,516,000	0.81	0.64	1,125,840
	4,916,000			3,931,840

The Directors considered that the above 4,916,000 shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company on 19 November 2009. The principal terms of the Share Option Scheme are summarized below:

(i) The purpose of the Share Option Scheme is to provide incentive for selected participants to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the Company and its shareholders as a whole and to retain and attract persons whose contributions are or may be beneficial to the growth and development of the Group.

(ii) Eligible participants of the Share Option Scheme include any employee, non-executive Directors (including independent non-executive Directors), customer or supplier of goods or services to any member of the Group, shareholders of any member of the Group, consultant, adviser, contractor, business partner or service provider.

(iii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on 19 November 2009.

(iv) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group, must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

(v) Unless approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of all options granted to any eligible participant under the Share Option Scheme and any other share option scheme of the Group in the 12-month period up to and including such further grant must not exceed 1% of the issued share capital of the Company for the time being.

(vi) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any grant to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates, in excess of 0.1% of the Shares in issue or with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval of the Company in a general meeting.

(vii) The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted.

(viii) An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the offer of grant of an option.

(ix) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (which may not expire later than 10 years from the date of the grant) to be determined and notified by the Directors to each grantee.

(x) The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of a Share.

(xi) The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

The movements in the Company's share options granted under the Share Option Scheme are as follows:

		Number of share options								
Grantee	Date of grant	Outstanding as at 1 January 2011	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding as at 31 December 2011	Vesting period	Exercisable period	Exercise price per share	Market value per share at date of grant of options
									HK$	*HK$*
Executive Directors:										
Mr. Wang Guangyuan	22 November 2010	2,000,000	–	–	–	2,000,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Mr. Zhang Hebin	22 November 2010	2,000,000	–	–	–	2,000,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Ms. Wang Lijuan	22 November 2010	2,000,000	–	–	–	2,000,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Non-executive Directors:										
Mr. Sih Wai Kin, Daniel	22 November 2010	500,000	–	–	–	500,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Mr. Lai Chi Keung, Albert	22 November 2010	500,000	–	–	–	500,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Mr. Li Changgao	22 November 2010	500,000	–	–	–	500,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Employees	22 November 2010	10,000,000	–	–	–	10,000,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 November 2013	1.98	1.98
Other participants	22 November 2010	52,500,000	–	–	–	52,500,000	22 November 2010 to 21 May 2011	22 May 2010 to 21 May 2012	1.98	1.98
Total		70,000,000	–	–	–	70,000,000				

RESERVES

Details of movements in the reserves of the Group during the financial year are set out in the consolidated statement of changes in equity.

SUMMARY FINANCIAL INFORMATION

A summary of the published results containing information on the Group's assets and liabilities for the last five financial years is set out on pages 2 and 3. The summary does not form part of the audited financial statements.

DIRECTORS

The Directors of the Company during the Year and up to the date of the Annual Report were:

Executive Directors:

Mr. Wang Guangyuan *(Appointed on 8 October 2009) (Chairman and chief executive officer)*
Mr. Zhang Hebin *(Appointed on 8 October 2009)*
Ms. Wang Lijuan *(Appointed on 8 October 2009)*

Independent Non-Executive Directors:

Mr. Sih Wai Kin, Daniel *(Appointed on 28 October 2009)*
Mr. Lai Chi Keung, Albert *(Appointed on 28 October 2009)*
Mr. Li Changgao *(Appointed on 8 October 2009)*

The Company's bye-laws provide that, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. Every Director will therefore retire either by rotation under the Company's bye-laws or voluntarily and will subject himself/herself to the absolute and free choice of the shareholders for re-election at the annual general meetings.

In compliance with Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board currently comprises three independent non-executive Directors, representing more than one-third of the Board. The Company has received annual confirmations of independence from Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao pursuant to Rule 3.13 of the Listing Rules. As at the date of the Annual Report, the Company still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 21 to 25 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

I. Long positions in shares of the Company

Name of Director	Name of Group member/associated corporation	Capacity/Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding *(Note 4)*
Mr. Wang Guangyuan	The Company	Interest of a controlled corporation	675,582,720 Shares (L) *(Note 2)*	33.56%
Mr. Zhang Hebin	The Company	Interest of a controlled corporation	132,467,200 Shares (L) *(Note 3)*	6.58%

Notes:

(1) The Letter "L" denotes the Director's long position in the Shares.

(2) These Shares are registered in the name of and beneficially owned by Up Mount International Limited ("Up Mount"), a company incorporated in the British Virgin Islands (the "BVI") and whose entire issued share capital is owned by Mr. Wang Guangyuan.

(3) These Shares are registered in the name of and beneficially owned by Wing Move Group Limited ("Wing Move"), a company incorporated in the BVI and whose entire issued share capital is owned by Mr. Zhang Hebin.

(4) Percentage which the aggregate long position in the Shares represents to the issued share capital of the Company as at 31 December 2011 (that is, 2,013,018,000 Shares).

II. Long positions in underlying shares of the Company

Share options to subscribe for ordinary shares of HK$0.01 each in the Company were granted to the Directors pursuant to the Share Option Scheme. Information in relation to these options granted and/or remained outstanding during the year ended 31 December 2011 was shown in the section headed "Share Option Scheme" in this report.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, have an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of issued Shares** *(Note 5)*
Up Mount *(Note 1)*	Beneficial owner	675,582,720	33.56%
Ms. Zhang Min 張敏 *(Note 2)*	Interest of spouse	675,582,720	33.56%
Wing Move *(Note 3)*	Beneficial owner	132,467,200	6.58%
Ms. Luo Cheng Yan 羅成艷 *(Note 4)*	Interest of spouse	132,467,200	6.58%

Notes:

(1) Up Mount is a company incorporated in the BVI, and is solely and beneficially owned by Mr. Wang Guangyuan, the chairman of the Company and an executive Director.

(2) 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) by virtue of the SFO.

(3) Wing Move is a company incorporated in the BVI, and is solely and beneficially owned by Mr. Zhang Hebin, an executive Director.

(4) Ms. Luo Cheng Yan is the spouse of Mr. Zhang Hebin, an executive Director, and is therefore deemed to be interested in all the Shares held by Mr. Zhang Hebin (through Wing Move) by virtue of the SFO.

(5) Percentage which the aggregate long position in the Shares represents to the issued share capital of the Company as at 31 December 2011 (that is, 2,013,018,000 Shares).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director has a material interest (whether directly or indirectly), subsisted at the end of the Year or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the Share Option Scheme disclosed above, at no time during the financial year was the Company or its subsidiaries a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

RETIREMENT BENEFITS SCHEMES

Other than participating in the People's Republic of China state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Details of the Group's retirement benefits schemes during the financial year are set out in note 30 to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACT OF SIGNIFICANCE

Save as disclosed, no contracts of significance in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Save as disclosed, no contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Year. Save as disclosed, no contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of the Annual Report, no Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 12.6% and 63.0% of the total sales and purchases of the Group for the Year, respectively. The Group's largest customer and supplier accounted for around 2.7% and 15.6% of the total sales and purchases of the Group for the Year, respectively. For the year ended 31 December 2011, none of the Directors or any of their associates or any shareholders of the Company which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers and suppliers.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 28 October 2009. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao.

The Audit Committee has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the Year.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of the Annual Report, based on publicly available information and to the best of the Directors' knowledge, the Company has maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules since the listing of the Shares on the Stock Exchange.

AUDITOR

Deloitte Touche Tohmatsu, the auditor of the Company, will retire at the AGM and, being eligible, offer itself for re-appointment at the AGM. A resolution for re-appointment of auditor of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Wang Guangyuan
Chairman and Executive Director
Hong Kong
22 March 2012

The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excel in corporate governance. The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns.

As set out in "The Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Listing Rules in force during the Year, the CG Code sets out two levels of corporate governance practices namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance.

The Company adopted the code provisions set out in the CG Code on 28 October 2009. Since the date of adoption of the CG Code up to 31 December 2011, the Company considered that it had complied with the mandatory code provisions of the CG Code save for the following:

CODE PROVISION A.2.1

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer ("CEO") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Wang Guangyuan currently performs these two roles. Mr. Wang is responsible for the overall business strategy and development and management of our Group. The Board considers that Mr. Wang, the chairman of the Board and 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 CEO of the Company notwithstanding the aforementioned deviation.

BOARD OF DIRECTORS

The Board is responsible for providing effective and responsible leadership for the Group. The Directors, both individually and collectively, must act in good faith in the best interests of the Group and the shareholders of the Company. The Board is responsible for formulating the Group's overall objectives and strategies, monitoring and evaluating its operating and financial performance and reviewing the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, appointment or re-appointment of directors, and dividend and accounting policies. The profiles of Directors as at the date of this report are set out on pages 21 to 22.

The Board has delegated various responsibilities to certain Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "Board Committees").

Our Board comprises 3 executive Directors and 3 independent non-executive Directors. Throughout the year ended 31 December 2011 ("the period under review"), the Board met six times. The attendance record of each of the Directors during the period under review is tabulated as follows:

Name	**Number of meetings attended/held during the period under review**	**Attendance rate**
Executive Director		
Mr. Wang Guangyuan *(Chairman and CEO)*	6/6	100%
Mr. Zhang Hebin	6/6	100%
Ms. Wang Lijuan	6/6	100%
Independent Non-executive Director		
Mr. Sih Wai Kin, Daniel	5/6	83%
Mr. Lai Chi Keung, Albert	5/6	83%
Mr. Li Changgao	6/6	100%

Save for the sibling relationship between Mr. Wang Guangyuan and Ms. Wang Lijuan, the Board members have no financial, business, family or other relationships with each other. Each of the independent non-executive Directors has confirmed in writing his independence with regard to the independence criteria set out in Rule 3.13 of the Listing Rules.

Since the listing of its shares on the Main Board of the Stock Exchange on 19 November 2009, the Company has adopted the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals. Ad-hoc meetings will also be convened if necessary to discuss the overall strategy as well as financial performance of the Group. Notice of board meeting will be sent to all Directors at least 14 days prior to a regular board meeting. Reasonable notice will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communication.

The Company has adopted the practice to provide relevant materials to all Directors relating to the matters brought before the meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Each of the Directors will have the opportunity and is encouraged to include matters which he/she deems appropriate in the agenda for Board meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 1 November 2009, and is renewable automatically thereafter for successive terms of one year subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

Each of independent non-executive Directors has entered into a service contract with the Company for a renewed term of two years commencing from 1 January 2012, subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than one month's prior written notice.

In accordance with the Company's bye-laws, each year, one-third of the Directors (including executive Directors and independent non-executive Directors) for the time being will retire from office by rotation provided that every Directors shall be subject to retirement by rotation at least once every three years at the general meeting of the Company.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board established the Board Committees to oversee particular aspects of the Group's affairs. The Board Committees are governed by the respective written terms of reference approved by the Board.

Audit Committee

Pursuant to a resolution of the Directors passed on 28 October 2009, the Audit Committee was established with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, all are independent non-executive Directors, namely. Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao. Mr. Sih Wai Kin, Daniel is the chairman of the Audit Committee.

The Audit Committee is primarily responsible for the review and supervision of the financial reporting process and assessing the adequacy and effectiveness of the internal control system. It is also responsible for making recommendations to the Board on the appointment and removal of external auditor. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the period under review.

The terms of reference of the Audit Committee are in compliance with the guidelines set out by Hong Kong Institute of Certified Public Accountants and have been updated on terms no less exacting than that set out in the CG Code.

The Audit Committee held two meetings during the period under review. The Audit Committee will adopt the practice of holding committee meetings regularly after the period under review. Ad-hoc meetings will also be convened if necessary.

Remuneration Committee

Pursuant to a resolution of the Directors passed on 28 October 2009, the Remuneration Committee was established with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises three members, all are independent non-executive Directors, namely Mr. Sih Wai Kin, Daniel, Mr. Lai Chi Keung, Albert and Mr. Li Changgao. Mr. Sih Wai Kin, Daniel is the chairman of the Remuneration Committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration and ensure none of our Directors determine their own remuneration.

The Remuneration Committee held two meetings during the period under review. The Remuneration Committee will adopt the practice of holding committee meetings regularly after the year under review. Ad-hoc meetings will also be convened if necessary.

Nomination Committee

Pursuant to a resolution of the Directors passed on 28 October 2009, the Nomination Committee was established with written terms of reference in compliance with the CG Code. The Nomination Committee comprises three members, comprising Mr. Lai Chi Keung, Albert, Mr. Wang Guangyuan and Mr. Li Changgao. The chairman of the Nomination Committee is Mr. Lai Chi Keung, Albert.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates for directorship, either to fill vacancies on or appoint additional directors to the Board. In considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, work experience, leadership and professional ethics of the candidates.

The Nomination Committee held two meetings during the period under review. The Nomination Committee will adopt the practice of holding committee meetings regularly after the period under review. Ad-hoc meetings will also be convened if necessary.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective internal controls of the Group. During the period under review, the Board has conducted a review of the effectiveness of the Group's system of internal control, covering financial, operational, compliance control and risk management functions. The Group's system of internal control includes the setting up of a management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. After reviewing the Group's internal control system, the Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting and financial reporting function, and adequate training programmes have been provided during the period under review. The control and compliance department of the Company plays a major role in monitoring the internal controls of the Group and reports directly to the Audit Committee. It has full access to review all aspects of the Group's activities and internal controls. All types of audited reports are circulated to the Audit Committee and key management which will follow up any actions and measures taken to improve internal controls on the recommendations by the control and compliance department.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the period under review, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate accounting standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The statement of the auditor of the Company, Messrs. Deloitte Touche Tohamstu, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 42 to 43.

AUDITOR'S REMUNERATION

During the period under review, the fees paid/payable to the auditor in respect of audit service provided by the auditor of the Group were as follows:

	RMB'000
Audit Service	1,364

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 conduct for directors' securities transactions. The Company has made specific enquiry of all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2011.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels via which the Company communicates with its shareholders include interim and annual reports, circulars, notices, financial reports, information on the Stock Exchange's and the Company's website, and general meetings.

Shareholders are encouraged to attend the Company's general meetings where the Chairman and the executive Directors of the Board are available to answer questions. Notice of the annual general meeting of the Company and related papers are sent to shareholders of the Company at least 20 clear business days before the meeting and such notice is also made available on the Stock Exchange's website. Separate resolutions are proposed at the general meetings on each substantially separate issue. Poll results of the meeting will be posted on the website of the Stock Exchange on the day of the meeting. The financial and other information relating to the Group are disclosed on the Company's website, http://www.tontine-wines.com.hk.

In order to facilitate the communication with shareholders of the Company, the Group has maintained the Company's website as a channel to provide the latest information and to strengthen communication with its shareholder and the investing public. The Group's corporate correspondence and information will also be published on the website in a timely manner.

Deloitte.
德勤

TO THE MEMBERS OF CHINA TONTINE WINES GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Tontine Wines Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 88, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**830,084**	703,514
Cost of sales		**(350,998)**	(289,643)
Gross profit		**479,086**	413,871
Other income	9	**6,213**	3,340
Selling and distribution expenses		**(119,854)**	(84,338)
Administrative expenses		**(75,742)**	(32,288)
Profit before tax		**289,703**	300,585
Income tax expense	10	**(100,868)**	(92,460)
Profit and total comprehensive income for the year attributable to owners of the Company	11	**188,835**	208,125
Earnings per share	15		
Basic (RMB cents)		**9.4**	11.9
Diluted (RMB cents)		**9.4**	11.9

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current Assets			
Property, plant and equipment	16	**211,614**	166,387
Prepaid lease payments	17	**12,292**	3,757
Deposits paid for prepaid lease payments		**54,334**	54,334
Deposits paid for acquisition of property, plant and equipment		**20,580**	43,730
Deposit paid for a potential acquisition	18	**20,000**	–
Biological assets	19	**1,544**	–
		320,364	268,208
Current Assets			
Inventories	20	**198,146**	193,253
Trade receivables	21	**148,975**	125,574
Deposits and prepayments		**3,343**	2,653
Prepaid lease payments	17	**677**	92
Bank balances and cash	22	**1,274,711**	1,177,733
		1,625,852	1,499,305
Current Liabilities			
Trade payables	23	**25,429**	20,089
Other payables and accruals	24	**46,871**	39,280
Tax liabilities		**37,717**	34,618
		110,017	93,987
Net Current Assets		**1,515,835**	1,405,318
Total Assets Less Current Liabilities		**1,836,199**	1,673,526
Non-current Liability			
Deferred tax liability	25	**34,707**	27,555
		1,801,492	1,645,971
Capital and Reserves			
Share capital	26	**17,624**	17,668
Reserves		**1,783,868**	1,628,303
Total Equity		**1,801,492**	1,645,971

The consolidated financial statements on pages 44 to 88 were approved and authorised for issue by the Board of Directors on 22 March 2012 and are signed on its behalf by:

Wang Guangyuan
Chairman and Executive Director

Zhang Hebin
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	15,118	411,290	86,360	66,288	–	391,494	970,550
Total comprehensive income for the year	–	–	–	–	–	208,125	208,125
Placement of new shares	2,550	527,850	–	–	–	–	530,400
Expenses incurred in connection with issue of new shares	–	(25,430)	–	–	–	–	(25,430)
Recognition of equity-settled share-based payments	–	–	–	–	5,865	–	5,865
Dividends recognised as distribution *(Note 14)*	–	–	–	–	–	(43,539)	(43,539)
Transfer to statutory reserves	–	–	–	24,655	–	(24,655)	–
At 31 December 2010	17,668	913,710	86,360	90,943	5,865	531,425	1,645,971
Total comprehensive income for the year	–	–	–	–	–	188,835	188,835
Share repurchased and cancelled *(Note 26b)*	(44)	(3,169)	–	–	–	–	(3,213)
Recognition of equity-settled share-based payments	–	–	–	–	21,356	–	21,356
Dividends recognised as distribution *(Note 14)*	–	–	–	–	–	(51,457)	(51,457)
Transfer to statutory reserves	–	–	–	26,830	–	(26,830)	–
At 31 December 2011	17,624	910,541	86,360	117,773	27,221	641,973	1,801,492

Notes:

(a) Special reserve represents the difference between the nominal value of the shares of the Company issued and the aggregate of the nominal value of the issued shares and the share premium of the holding company for which the shares of the Company have been issued in exchange upon a corporate reorganisation (the "Corporate Reorganisation") to rationalise the Group structure prior to listing of the Company's share on The Stock Exchange of Hong Kong Limited.

(b) In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), the PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries) but before dividend distributions.

All appropriations to the funds are made at the discretion of the board of directors of the subsidiaries. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital of the PRC subsidiaries subject to approval from the relevant PRC authorities. The general reserves fund may be used to offset accumulated losses or increase the registered capital of the subsidiaries subject to approval from the relevant PRC authorities.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 *RMB'000*	2010 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**289,703**	300,585
Adjustments for:		
Interest income	**(5,846)**	(3,340)
Depreciation of property, plant and equipment	**12,250**	5,906
Loss on disposal of property, plant and equipment	**450**	–
Amortisation of prepaid lease payments	**92**	92
Share-based payments	**21,356**	5,865
Write off of inventories	**202**	–
Operating cash flows before movements in working capital	**318,207**	309,108
Increase in biological asset	**(1,394)**	–
Increase in inventories	**(5,095)**	(44,649)
Increase in trade receivables	**(23,401)**	(26,798)
Increase in deposits and prepayments	**(690)**	(2,362)
Increase in trade payables	**5,340**	3,935
Increase in other payables and accruals	**7,591**	467
Cash generated from operations	**300,558**	239,701
Income tax paid	**(90,617)**	(72,263)
NET CASH FROM OPERATING ACTIVITIES	**209,941**	167,438
INVESTING ACTIVITIES		
Interest received	**5,846**	3,340
Proceeds on disposal of property, plant and equipment	**83**	–
Purchase of property, plant and equipment	**(34,860)**	(69,743)
Addition of prepaid lease payments	**(9,362)**	–
Deposits paid for prepaid lease payments	**–**	(54,334)
Deposits paid for acquisition of property, plant and equipment	**–**	(43,730)
Deposit paid for a potential acquisition	**(20,000)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(58,293)**	(164,467)
FINANCING ACTIVITIES		
Dividends paid	**(51,457)**	(43,539)
Shares repurchased	**(3,213)**	–
Proceeds from issue of new shares	**–**	530,400
Expenses paid in connection with the issue of new shares	**–**	(25,430)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(54,670)**	461,431
NET INCREASE IN CASH AND CASH EQUIVALENTS	**96,978**	464,402
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,177,733**	713,331
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**1,274,711**	1,177,733

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, whilst its principal place of business in Hong Kong is Unit No. 3612, 36th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, Group has applied the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

The directors anticipate that the adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) in the future may not have material impact on the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements. The directors of the Company are in the process of assessing the potential impact of application of HKFRS 13 on the consolidated financial statements.

The directors of the Company anticipate that the application of the other new or revised HKFRSs issued but not yet effective will not have material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the biological assets that are measured at fair value less costs cost to sell, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared in the historical basis, except for the biological assets that are measured at fair value less costs to sell. Historical cost is generally based on the fair value of consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Properties in the course of construction for production, supply or administrative purposes are classified as construction in progress and carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses for tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the tangible asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Biological assets

Biological assets comprise vines in the PRC which are measured on initial recognition and at the end of reporting period at the fair value less costs to sell, with any resultant gain or loss recognised in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposals of an asset, mainly transportation cost and excluding income taxes. Where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value, in which case, the assets are held at cost less impairment losses.

The plantation costs and other related costs including the amortisation charge, utilities cost, direct labour cost, consumables cost incurred for plantation of grapes are capitalised, until such time the vines begin to produce grapes.

Agricultural produce represents the grapes harvested from the vines. Grapes are recognised at the point of harvest at their fair values less costs to sell. The fair values of grapes are determined based on market prices in the local area. The costs to sell are the incremental costs directly attributable to the sales of grapes, mainly, transportation cost, but excluding income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Research and development expenditure

Expenditure on research activities is recognised as expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are all classified as loans and receivables. The classification depends on the nature and purpose of the financial assets which is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

An impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition – continued

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions – continued

Share options granted to other participants (including supplier of goods and services, consultant, adviser, contractors, business partner of service provider)

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Retirement benefit costs

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amount of property, plant and equipment is RMB211,614,000 (2010: RMB166,387,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Estimated allowances for inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at end of the reporting period and makes allowance of RMB202,000 (2010: nil) on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise. The carrying amount of inventories is RMB198,146,000 (2010: RMB193,253,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables is RMB148,975,000 (2010: RMB125,574,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists the equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**1,423,686**	1,303,307
Financial liabilities		
Amortised cost	**34,622**	28,626

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bank balances and cash, trade payables and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain transactions and monetary assets and liabilities of the Group are denominated in Hong Kong Dollar ("HKD") which is different from the functional currency of the Group entities, i.e. RMB, and therefore the Group is exposed to currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
HKD	**26,483**	566,751	**2,025**	3,227

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in profit where RMB strengthen 5% against HKD. For a 5% weakening of RMB against HKD, there would be an equal and opposite impact on the profit for the year.

	Profit or loss	
	2011	2010
	RMB'000	*RMB'000*
HKD	**(1,223)**	(28,176)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. The Group considered interest rate risk on deposits is insignificant.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The management considers the credit risk exposure of the Group is low as the trade receivables are normally settled within credit period of 90 days. The management nonetheless reviews the recoverable amount of each individual debt regularly, if any, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on deposits paid for prepaid lease payments and liquid funds is limited because the counterparties are government related authorities and banks with high credit ratings assigned by international credit-rating agencies, respectively.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Repayable on demand	3 months or less	Total undiscounted cash flows and carrying amounts
	RMB'000	*RMB'000*	*RMB'000*
2011			
Trade payables	**–**	**25,429**	**25,429**
Other payables	**9,193**	**–**	**9,193**
	9,193	**25,429**	**34,622**
2010			
Trade payables	–	20,089	20,089
Other payables	8,537	–	8,537
	8,537	20,089	28,626

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

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

8. SEGMENT INFORMATION

The Group determines its reportable and operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Executive Directors) of the Company in order to allocate the resources to the segment and to assess its performance.

The Group is principally engaged in the business of manufacturing and sales of grape wine products. The Group is organised based on the region of goods delivered.

The Group's reportable and operating segments under HKFRS 8 are identified based on different geographical zones of goods delivered in the People's Republic of China ("PRC"): North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

- North-East Region includes provinces of Liaoning, Jilin and Heilongjiang.
- Northern Region includes provinces of Hebei, Shaanxi, Inner Mongolia, Shanxi and city of Beijing.
- Eastern Region includes provinces of Jiangsu, Zhejiang, Anhui, Fujian, Shandong and city of Shanghai.
- South-Central Region includes provinces of Henan, Hubei, Hunan and Guangdong.
- South-West Region includes provinces of Sichuan, Yunnan, Guizhou and city of Chongqing.

The accounting policies of the reportable and operating segments are the same as those described in the summary of significant accounting policies.

No revenue from transactions with a single external customer amounted to 10 per cent or more of the Group's total revenue.

The Group's operations are located in the PRC and all revenues from external customers and non-current assets are attributed to and located in the PRC.

8. SEGMENT INFORMATION – continued

Information about reportable and operating segment revenue, profit, assets and liabilities

	North-East Region	Northern Region	Eastern Region	South-Central Region	South-West Region	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2011						
Segment revenue from external customers	**122,973**	**163,265**	**269,225**	**105,360**	**169,261**	**830,084**
Segment profit	**67,569**	**87,327**	**136,479**	**53,966**	**84,449**	**429,790**
For the year ended 31 December 2010						
Segment revenue from external customers	104,220	138,337	226,809	90,589	143,559	703,514
Segment profit	57,547	75,078	118,027	47,097	74,784	372,533
As at 31 December 2011						
Segment assets	**19,141**	**34,936**	**51,033**	**11,905**	**31,960**	**148,975**
Segment liabilities	**4,830**	**6,412**	**10,574**	**4,138**	**6,648**	**32,602**
As at 31 December 2010						
Segment assets	20,525	27,226	42,300	12,579	22,944	125,574
Segment liabilities	3,772	5,006	8,208	5,195	3,278	25,459

8. SEGMENT INFORMATION – continued

Reconciliations of reportable and operating segment revenue, profit, assets and liabilities

Revenue

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

	2011	2010
	RMB'000	*RMB'000*
Profit		
Total segment profit	**429,790**	372,533
Unallocated amounts:		
Other corporate income	**6,213**	3,340
Other corporate expenses	**(146,300)**	(75,288)
Consolidated profit before tax	**289,703**	300,585

Reportable and operating segment profit represented the profit earned by each segment without allocation of amortisation, depreciation, selling expense, other corporate expenses and other income.

	2011	2010
	RMB'000	*RMB'000*
Assets		
Total segment assets	**148,975**	125,574
Other unallocated amounts		
Property, plant and equipment	**211,614**	166,387
Prepaid lease payments	**12,969**	3,849
Deposits paid for prepaid lease payments	**54,334**	54,334
Deposits paid for acquisition of property, plant and equipment	**20,580**	43,730
Deposit paid for a potential acquisition	**20,000**	–
Biological assets	**1,544**	–
Inventories	**198,146**	193,253
Deposits and prepayments	**3,343**	2,653
Bank balances and cash	**1,274,711**	1,177,733
Consolidated total assets	**1,946,216**	1,767,513

Reportable and operating segment assets comprise trade receivables.

8. SEGMENT INFORMATION – continued

Reconciliations of reportable and operating segment revenue, profit, assets and liabilities – continued

	2011	2010
	RMB'000	*RMB'000*
Liabilities		
Total segment liabilities	**32,602**	25,459
Other unallocated amounts		
Trade payables	**25,429**	20,089
Other payables and accruals	**14,269**	13,821
Tax liabilities	**37,717**	34,618
Deferred tax liability	**34,707**	27,555
Consolidated total liabilities	**144,724**	121,542

Reportable and operating segment liabilities comprise certain other payables and accruals.

9. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Interest income from bank deposits	**5,846**	3,340
Rental income	**367**	–
	6,213	3,340

10. INCOME TAX EXPENSE

	2011 *RMB'000*	2010 *RMB'000*
The charge comprises:		
Current tax		
PRC Enterprise Income tax	**87,716**	80,642
Withholding tax on distributed profits	**6,000**	1,691
	93,716	82,333
Deferred tax		
Current year	**7,152**	10,127
	100,868	92,460

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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% from 1 January 2008 onwards.

Provision for the PRC Enterprise Income Tax was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries operated in the PRC.

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2011 *RMB'000*	2010 *RMB'000*
Profit before tax	**289,703**	300,585
Tax charge at income tax rate of 25%	**72,426**	75,146
Tax effect of income not taxable for tax purpose	**(139)**	(5)
Tax effect of expenses not deductible for tax purpose	**15,429**	5,501
Deferred tax on undistributed earnings of PRC subsidiaries	**13,152**	11,818
Income tax expense for the year	**100,868**	92,460

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2011	2010
	RMB'000	*RMB'000*
Profit and total comprehensive income for the year has been arrived at after charging:		
Auditor's remuneration	**1,377**	1,478
Directors' remuneration	**4,512**	2,843
Cost of inventories recognised as an expense	**253,389**	217,664
Depreciation of property, plant and equipment	**12,250**	5,906
Amortisation of prepaid lease payments	**242**	92
Less: amounts included in biological assets	**(150)**	–
	92	92
Research and development costs recognised as an expense (included in administrative expenses)	**2,250**	1,250
Net foreign exchange loss (included in administrative expenses)	**20,431**	2,306
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**9,217**	10,812
– share based payments	**5,952**	1,634
– sales commission	**19,161**	16,241
– retirement benefits scheme contribution	**1,535**	2,073
Write off of inventories	**202**	–
Loss on disposal of property, plant and equipment	**450**	–

12. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to the six (2010: six) directors of the Company was as follows:

	Salary	Retirement benefits scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2011				
Mr. Wang Guangyuan	**517**	**13**	**680**	**1,210**
Mr. Zhang Hebin	**513**	**11**	**680**	**1,204**
Ms. Wang Lijuan	**509**	**9**	**680**	**1,198**
Mr. Li Changgao	**130**	**–**	**170**	**300**
Mr. Lai Chi Keung, Albert	**130**	**–**	**170**	**300**
Mr. Sih Wai Kin, Daniel	**130**	**–**	**170**	**300**
	1,929	**33**	**2,550**	**4,512**
For the year ended 31 December 2010				
Mr. Wang Guangyuan	559	13	193	765
Mr. Zhang Hebin	554	11	193	758
Ms. Wang Lijuan	551	9	193	753
Mr. Li Changgao	141	–	48	189
Mr. Lai Chi Keung, Albert	141	–	48	189
Mr. Sih Wai Kin, Daniel	141	–	48	189
	2,087	33	723	2,843

None of the directors waived any emoluments for both years. No incentives were paid by the Group to the Directors as inducement to join, or upon joining the Group, or as compensation for loss of office.

13. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group include one (2010: nil) director of the Company. The emoluments of the remaining four (2010: five) highest paid individuals were as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries and other benefits	**1,477**	1,478
Performance related incentive payments	**2,695**	7,052
Retirement benefits scheme contribution	**47**	61
Share based payments	**1,360**	387
	5,579	8,978

Their emoluments were within the following bands:

	2011	2010
	No. of employees	No. of employees
RMB811,741 to RMB1,217,610 (equivalent to HK$1,000,001 to HK$1,500,000)	**–**	1
RMB1,217,611 to RMB1,623,480 (equivalent to HK$1,500,001 to HK$2,000,000)	**4**	2
RMB1,623,481 to RMB2,029,350 (equivalent to HK$2,000,001 to HK$2,500,000)	**–**	1
RMB2,435,221 to RMB2,841,090 (equivalent to HK$3,000,001 to HK$3,500,000)	**–**	1
	4	5

No incentive was paid by the Group to the above individuals as inducements to join, or upon joining the Group.

14. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
2010 Final – HK3.00 cents (equivalent to RMB2.55 cents) per share (2010: 2009 Final – HK2.88 cents (equivalent to RMB2.53 cents) per share)	**51,457**	43,539

The final dividend of HK2.88 cents per share in respect of the year ended 31 December 2011 (equivalent to RMB2.34 cents) (2010: final dividend of HK3.00 cents in respect of the year ended 31 December 2010 (equivalent to RMB2.55 cents)) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company and earnings for the purpose of basic and diluted earnings per share	**188,835**	208,125

	2011	2010
	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,016,527,436**	1,754,098,384

The computation of diluted earnings per share for both years does not assume the exercise of the Company's share options as the exercise price of those share options granted during the year ended 31 December 2010 was higher than the average market price per share from the date of grant to 31 December 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2010	28,700	22,998	140	77,584	278	1,172	130,872
Additions	21,000	5,221	541	42,167	16	798	69,743
Reclassification	(49,700)	49,700	–	–	–	–	–
At 31 December 2010	–	77,919	681	119,751	294	1,970	200,615
Additions	29,447	24,741	961	991	17	1,853	58,010
Disposals/write-off	–	–	(146)	(842)	–	(781)	(1,769)
At 31 December 2011	29,447	102,660	1,496	119,900	311	3,042	256,856
DEPRECIATION							
At 1 January 2010	–	5,402	70	21,598	134	1,118	28,322
Provided for the year	–	1,077	121	4,541	41	126	5,906
At 31 December 2010	–	6,479	191	26,139	175	1,244	34,228
Provided for the year	–	3,249	1,062	7,516	39	384	12,250
Eliminated on disposal/ write-off	–	–	(146)	(348)	–	(742)	(1,236)
At 31 December 2011	–	9,728	1,107	33,307	214	886	45,242
CARRYING VALUES							
At 31 December 2011	29,447	92,932	389	86,593	97	2,156	211,614
At 31 December 2010	–	71,440	490	93,612	119	726	166,387

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values at the following rates per annum:

Buildings	4%
Leasehold improvements	50%
Plant and machinery	5% – 10%
Office equipment	20%
Motor vehicles	20%

The buildings are situated on land in the PRC and are held under long lease.

17. PREPAID LEASE PAYMENTS

	2011	2010
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current asset	**12,292**	3,757
Current asset	**677**	92
	12,969	3,849

The leasehold land is situated in the PRC and is held under long lease.

18. DEPOSITS PAID FOR A POTENTIAL ACQUISITION

The carrying amount at 31 December 2011 represents a deposit of RMB20,000,000 (2010: nil) paid to Yantai Baiyaughe Winery Co., Inc. (烟台白洋河酿酒有限责任公司) (the "Target"), a limited liability company established in the Shandong province of the PRC which principally engages in production and sale of alcoholic beverages, for the possible acquisition of certain equity interest in the Target.

The transaction, if it proceeds, is expected to be subject to among other things, various conditions to be agreed and the signing of a legally binding agreement, which is not yet agreed up to 31 December 2011.

Pursuant to the memorandum of understanding and subsequent supplementary agreements entered, the parties can negotiate the detailed terms and conditions of the transaction up to 31 December 2012 and if the Group does not wish to proceed with the negotiation to the transaction, the deposit paid will be refunded in full to the Group.

19. BIOLOGICAL ASSETS

The Group is primarily engaged in wine, beverage production, grape juice processing. The biological assets represent vines located in PRC which can produce grapes and grape juice is then produced from grapes after further processing. The movements of biological asset is summarised as follows:

	Vines
	RMB'000
At 1 January 2010 and 31 December 2010	–
Increase due to cultivation (planting and other capitalised cost) and at 31 December 2011	**1,544**

No agricultural produce was harvested during the year ended 31 December 2011.

All grapes are harvested annually from August to November of each calendar year. The directors consider that there is no active market for the immature grapes as at 31 December 2011 as the Group commenced the plantation work in August 2011. The present value of expected cash flows is not considered a reliable measure of the fair value due to the need for, and use of, subjective assumptions including weather conditions, natural disaster and effectiveness of pesticide protection. As such, the directors consider the fair value of biological assets as at 31 December 2011 cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore, biological assets as at 31 December 2011 was stated at cost.

20. INVENTORIES

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**19,579**	32,753
Work in progress	**150,420**	146,495
Finished goods	**28,147**	14,005
	198,146	193,253

21. TRADE RECEIVABLES

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

	2011	2010
	RMB'000	*RMB'000*
0 – 30 days	**79,057**	73,004
31 – 60 days	**10,306**	33,523
61 – 90 days	**59,612**	19,047
	148,975	125,574

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

No trade receivable balance is past due at the end of the reporting period.

22. BANK BALANCES AND CASH

Bank balances carry interest at average market rates of 0.07% (2010: 0.59%) per annum.

23. TRADE PAYABLES

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

	2011	2010
	RMB'000	*RMB'000*
0 – 30 days	**11,906**	8,366
31 – 60 days	**10,543**	8,783
61 – 90 days	**2,980**	2,940
	25,429	20,089

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

24. OTHER PAYABLES AND ACCRUALS

	2011	2010
	RMB'000	*RMB'000*
Other tax payable	**29,631**	23,062
Accrued expenses	**8,047**	7,681
Other creditors	**9,193**	8,537
	46,871	39,280

25. DEFERRED TAX LIABILITY

	Undistributed earnings of PRC subsidiaries
	RMB'000
At 1 January 2010	17,428
Charge for the year	11,818
Credit for the year *(Note)*	(1,691)
At 31 December 2010	27,555
Charge for the year	13,152
Credit for the year *(Note)*	(6,000)
At 31 December 2011	34,707

Note: According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1 dividend distributed out of the profit generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax which is withheld by the PRC subsidiaries. The deferred tax credit of RMB6,000,000 (2010: RMB1,691,000) represents withholding tax to be paid for the dividend declared by a subsidiary of the Group established in the PRC during the year out of the distributable earnings generated after 1 January 2008.

26. SHARE CAPITAL

	Notes	Number of ordinary shares '000 at HK$0.01 per share HK$'000	Amount
Authorised:			
At 1 January 2010, 31 December 2010 and 31 December 2011		10,000,000	100,000
Issued:			
At 1 January 2010		1,717,934	17,180
Placement of new shares	*(a)*	300,000	3,000
At 31 December 2010		2,017,934	20,180
Shares repurchased and cancelled	*(b)*	(4,916)	(49)
At 31 December 2011		2,013,018	20,131
Shown in the consolidated financial statements At 31 December 2011		RMB equivalent	17,624
At 31 December 2010		RMB equivalent	17,668

The following changes in the share capital of the Company took place during the period from 1 January 2010 to 31 December 2011.

(a) On 18 November 2010, the Company issued and allotted 300,000,000 ordinary shares of HK$0.01 each for consideration of HK$2.08 per share in relation to a share placement. The issue price of HK$2.08 represents a discount of approximately 8.77% to the closing market price of HK$2.28 per Company's share on 8 November 2010. These new shares were allotted and issued under the general mandate granted to the Directors by a resolution of the shareholders passed at the annual general meeting of the Company held on 3 June 2010 and rank pari passu with other shares in issue in all aspects to finance the Group's working capital.

26. SHARE CAPITAL – continued

(b) During the year ended 31 December 2011, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HK$0.01 per share	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
August	1,200,000	0.93	0.86	1,062
September	2,200,000	0.96	0.60	1,744
October	1,516,000	0.81	0.64	1,126
	4,916,000			3,932

The above shares were cancelled subsequently on 22 September 2011 and 20 October 2011 and the aggregate consideration is approximate to RMB3,213,000.

None of the Company's subsidiaries, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

27. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 28 November 2009 for the primary purpose of providing incentives to eligible participants including directors, employees, supplier of goods and services, consultant, adviser, contractor, business partner or service partner which will expire on 27 November 2019. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

27. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme of the Company: – continued

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 70,000,000 (2010: 70,000,000), representing 3.48% (2010: 3.46%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

Date of grant	Number of options	Vesting period	Exercisable period	Exercise price
22 November 2010	17,500,000	22 November 2010 to 21 May 2011	22 May 2011 to 21 November 2013	HK$1.98
22 November 2010	52,500,000	22 November 2010 to 21 May 2011	22 May 2011 to 21 May 2012	HK$1.98

27. SHARE-BASED PAYMENT TRANSACTIONS – continued

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

Category of participant	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Outstanding at 31.12.2010	Granted during the year	Exercise during the year	Outstanding at 31.12.2011	Date of grant	Exercisable period of share options	Exercise price of share option
Directors	–	7,500,000	–	7,500,000	–	–	7,500,000	22 November 2010	22 May 2011 to 21 May 2013	HK$1.98
Other employees	–	10,000,000	–	10,000,000	–	–	10,000,000	22 November 2010	22 May 2011 to 21 May 2013	HK$1.98
Other participants	–	52,500,000	–	52,500,000	–	–	52,500,000	22 November 2010	22 May 2011 to 21 May 2012	HK$1.98
	–	70,000,000	–	70,000,000	–	–	70,000,000			
Exercisable at the end of the year				–			70,000,000			

The Group recognised the total expense of RMB21,356,000 (2010: RMB5,865,000) for the year ended 31 December 2011 in relation to share options granted by the Company.

During the year ended 31 December 2010, 70,000,000 share options were granted under the Scheme on 22 November 2010. The estimated fair values of the options granted on this date are HK$0.51 per option and HK$0.44 per option respectively for the share options with exercise period of 22 May 2011 to 21 November 2013 and 22 May 2011 to 21 May 2012.

The fair values were calculated using the Binomial model. The inputs into the model were as follows:

Share price as at grant date	HK$1.98
Exercise price	HK$1.98
Expected volatility	51%
Risk-free rate	0.45% to 0.80%
Expected dividend yield	1.5%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by the historical volatility of the Company's share price.

28. OPERATING LEASES

The Group as lessee

	2011	2010
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Plant and machinery	**2,210**	2,210
Premises for office and warehouse	**2,922**	1,356
	5,132	3,566

At 31 December 2011, the Group had commitment for minimum lease payment under non-cancellable operating leases which fall due as follows:

	2011	2010
	RMB'000	*RMB'000*
Plant and machinery		
Within one year	**2,050**	2,165
In the second to fifth year inclusive	**1,367**	3,416
	3,417	5,581
Rented premises for office and warehouse		
Within one year	**1,224**	1,186
In the second to fifth year inclusive	**639**	1,847
	1,863	3,033

Operating lease payments represent rentals paid or payable by the Group for certain of its office premises and plant and machinery. Leases are negotiated for an average term of 2 to 3 years.

29. CAPITAL COMMITMENTS

	2011	2010
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment, development of wine estate and wine cellar contracted for but not provided in the consolidated financial statements	**95,713**	102,510
Capital expenditure in respect of acquisition of property, plant and equipment, development of wine estate and wine cellar authorised but not contracted for	**100,373**	189,168

30. RETIREMENT BENEFITS PLANS

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The Group made contributions to the retirement benefits schemes of RMB1,535,000 (2010: RMB2,073,000).

31. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of senior management during the year was as follows:

	2011	2010
	RMB'000	*RMB'000*
Short-term benefits	**4,137**	5,974
Post-employment benefits	**33**	33
Share based payments	**3,911**	1,112
	8,081	7,119

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

32. FINANCIAL INFORMATION OF THE COMPANY

	2011	2010
	RMB'000	*RMB'000*
Non-current Asset		
Investment in a subsidiary	**1,166**	1,166
Current Assets		
Prepayments	**81**	–
Amounts due from subsidiaries	**800,804**	432,013
Bank balances	**222,172**	558,679
	1,023,057	990,692
Current Liability		
Other payable and accruals	**(1,486)**	(1,718)
Total Assets Less Current Liability	**1,022,737**	990,140
Capital and Reserves		
Share capital	**17,624**	17,668
Reserves	**1,005,113**	972,472
Total Equity	**1,022,737**	990,140

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest held by the Company 2011 and 2010	Principal activity
Fullest Power Investments Limited ("Fullest Power")	The British Virgin Islands 19 May 2006	Ordinary shares US$100,000	100%	Investment holding
Rich Treasure Link Limited	Hong Kong 18 July 2009	Ordinary shares HK$10,000	100%	Investment holding and provision of administrative services
通化通天酒業有限公司 Tonghua Tongtian Winery Co., Ltd. *(Note)*	PRC 9 January 2001	Registered capital RMB87,110,000	100%	Manufacturing and sale of winery and beverage products and processing of grape juice
通化通天葡萄酒庄園有限公司 Tonghua Tontine Wine Estate Co., Ltd *(Note)*	PRC 26 February 2010	Registered capital HK$40,000,000	100%	Manufacturing and sale of winery and beverage products and processing of grape juice
通化通天綠色農業產業發展有限公司 Tonghua Tontine Green Agriculture Development Co., Ltd. *(Note)*	PRC 26 February 2010	Registered capital HK$28,000,000	100%	Grapes plantation
通化通天商貿有限公司 Tonghua Tontine Trading Co., Ltd. *(Note)*	PRC 9 April 2010	Registered capital HK$40,000,000	100%	Wholesales and retail of winery and beverage products

Note: These companies are wholly-foreign owned enterprises established in the PRC.

Except for Fullest Power, all subsidiaries are indirectly held by the Company.