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12 July 2024

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

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

**INTRODUCTION**

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

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

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

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

#### **THE INDEPENDENT BOARD COMMITTEE**

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

#### **OUR INDEPENDENCE**

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

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

#### **BASIS AND ASSUMPTIONS OF THE ADVICE**

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

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

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

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

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

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

## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Background and financial information of the Group

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

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

#### (i) Summary of consolidated statement of profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

#### ***(a) Information of the Offeror***

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

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

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

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

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

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

***(c) Public Float of the Company***

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

***(d) Compulsory acquisition***

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

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

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

#### **4. Principal terms and conditions of the Partial Offer**

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

**For each Offer Share . . . . . HK\$0.60 in cash**

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

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

#### ***Condition to the Partial Offer***

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

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

## **5. Evaluation of the Offer Price**

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

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

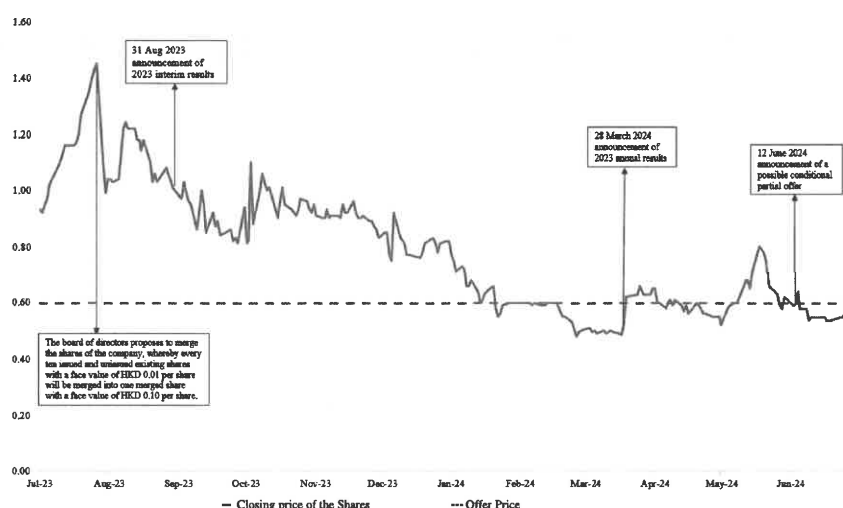
- (i) a premium of approximately 11.1% over the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) no premium over or discount to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 12 June 2024, being the Last Trading Day;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

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

**(b) Analysis on historical Share price performance**

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

*Share price chart during the Share Price Review Period*



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

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

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

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

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

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

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

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

**(c) Our analysis on historical trading volume and liquidity**

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

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

Source: [www.hkex.com.hk](http://www.hkex.com.hk)



*Notes:*

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

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

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

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

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

**(d) Analysis on market comparable companies**

**(i) P/S Ratio Analysis**

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

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

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

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

We set out our findings in the following table:

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

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

*Notes:*

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

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

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

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

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

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

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

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

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

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

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

## **RECOMMENDATIONS**

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

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

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

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

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

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

Yours faithfully,

For and on behalf of

**China Harbour International Capital Limited**



**Frankie Yan**  
Managing Director



**Tony Wang**  
Managing Director



**Danny Lin**  
Director

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

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

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