The following is the text of a report, prepared for the purpose of incorporation in this document, received from the auditors and reporting accountants of our Group, Deloitte Touche Tohmatsu.

Deloitte.
德勤

[Date]

The Directors
[China Tontine Wines Group Limited]
[SBI E2-Capital (HK) Limited]

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to [China Tontine Wines Group Limited] (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008 and the [six months ended 30 June 2009] (the "Relevant Periods").

The Company was incorporated in Bermuda on 21 August 2008 as an exempted company with limited liability under the Bermuda Companies Act. The Company changed its name from China Wines Group Limited to China Tontine Wines Group Limited with effect from [Date]. Pursuant to a corporate reorganisation (the "Corporate Reorganisation"), the Company became the holding company of the companies comprising the Group on [date].

All companies now comprising the Group have adopted 31 December as their financial year end date. As at the date of this report, the Company has interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activity
Fullest Power Investments Limited ("Fullest Power")	British Virgin Islands ("BVI") 19 May 2006	Ordinary shares US$100,000	100%	–	Investment holding

Name of subsidiary	Place and date of incorporation	Issued and fully paid share/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activity
Rich Treasure Link Limited ("Rich Treasure")	Hong Kong ("HK") 18 July 2008	Ordinary shares HK$10,000	–	100%	Investment holding
通化通天酒業有限公司 Tonghua Tongtian Winery Co., Ltd ("Tongtian") *(note)*	People's Republic of China ("PRC") 9 January 2001	Registered capital RMB87,110,000	–	100%	Wine, beverage production, grape juice processing

Note: Tongtian is a wholly-foreign owned enterprise established in the PRC.

No audited financial statements has been prepared for the Company since its date of incorporation as it has not carried on any business other than the transactions related to the Corporate Reorganisation.

No audited financial statements have been prepared for Fullest Power since its date of incorporation as there is no statutory requirement in BVI to do so. Deloitte Touche Tohmatsu is the statutory auditor of Rich Treasure since its incorporation. No audited financial statements have been prepared for Rich Treasure since its incorporation. Rich Treasure has not been involved in any significant business transactions other than the transactions related to the Corporate Reorganisation since its date of incorporation.

For the purpose of this report, we have, however, reviewed the relevant transactions of these companies since their respective dates of incorporation to 30 June 2009 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this document.

The statutory financial statements of Tongtian were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 吉林光大會計師事務所有限公司 Jilin Guangda Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC, for each of the three years ended 31 December 2008. No audited financial statements have been prepared for the six months ended 30 June 2009 as there is no such statutory requirement.

For the purpose of this report, the directors of Fullest Power have prepared consolidated financial statements of Fullest Power, the then holding company, for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below. No adjustment has been made by us to the Underlying Financial Statements in preparing our report for inclusion in this document.

The Underlying Financial Statements are the responsibility of the directors of Fullest Power who approve their issue. The directors of the Company are responsible for the contents of this document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 and of the combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 June 2008 together with the notes thereon have been extracted from the unaudited consolidated financial statements of Fullest Power for the same period (the "30 June 2008 Financial Information") which was prepared by the directors of Fullest Power solely for the purpose of this report. We have reviewed the 30 June 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*7*	281,823	391,570	486,708	206,028	[242,715]
Cost of sales		(140,477)	(182,561)	(209,769)	(89,433)	[(105,328)]
Gross profit		141,346	209,009	276,939	116,595	[137,387]
Other income	*9*	124	99	244	83	[476]
Selling and distribution expenses		(35,408)	(64,807)	(53,500)	(26,140)	[(25,951)]
Administrative expenses		(4,212)	(5,582)	(9,761)	(3,169)	[(3,777)]
Other expenses	*12*	–	–	[(13,012)]	–	[(1,573)]
Finance costs	*10*	(2,869)	–	–	–	–
Profit before tax		98,981	138,719	200,910	87,369	[106,562]
Income tax expense	*11*	(36,803)	(33,488)	(64,122)	(27,285)	[(31,207)]
Profit for the year/period and total comprehensive income for the year/period attributable to owners of the Company	*12*	62,178	105,231	136,788	60,084	[75,355]
Earnings per share						
Basic *(RMB)*	*16*	[●]	[●]	[●]	[●]	[●]

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
	NOTES	**2006**	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current Assets					
Property, plant and equipment	*17*	88,348	83,222	105,131	[104,734]
Prepaid lease payments	*18*	4,125	4,033	3,941	[3,895]
Deposit on acquisition of property, plant and equipment		–	1,700	–	[–]
		92,473	88,955	109,072	[108,629]
Current Assets					
Inventories	*19*	119,036	123,499	142,993	[102,374]
Trade receivables	*20*	46,202	63,568	81,292	[103,403]
Deposits and prepayments		963	961	975	[51]
Prepaid lease payments	*18*	92	92	92	[92]
Bank balances and cash	*21*	2,023	2,984	115,816	[188,595]
		168,316	191,104	341,168	[394,515]
Current Liabilities					
Trade payables	*22*	19,551	11,223	12,933	[7,793]
Other payables and accruals	*23*	12,870	25,805	35,358	[22,947]
Amount due to a shareholder	*24*	60,596	95,727	–	[–]
Tax liabilities		19,199	–	23,175	[14,205]
		112,216	132,755	71,466	[44,945]
Net Current Assets		56,100	58,349	269,702	[349,570]
Total Assets Less Current Liabilities		148,573	147,304	378,774	[458,199]
Non-current Liability					
Deferred tax liability	*25*	–	–	7,572	[11,642]
		148,573	147,304	371,202	[446,557]
Capital and Reserves					
Paid-in capital	*26*	40,415	415	758	[758]
Reserves		108,158	146,889	370,444	[445,799]
Total Equity		148,573	147,304	371,202	[446,557]

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2006	40,000	–	15,147	85,833	140,980
Total comprehensive income for the year	–	–	–	62,178	62,178
Issue of shares by a subsidiary	415	–	–	–	415
Transfer to statutory reserves	–	–	9,328	(9,328)	–
Dividends	–	–	–	(55,000)	(55,000)
At 31 December 2006	40,415	–	24,475	83,683	148,573
Total comprehensive income for the year	–	–	–	105,231	105,231
Transfer upon reorganisation *(note 26(b))*	(40,000)	–	–	–	(40,000)
Transfer to statutory reserves	–	–	6,260	(6,260)	–
Dividends	–	–	–	(66,500)	(66,500)
At 31 December 2007	415	–	30,735	116,154	147,304
Total comprehensive income for the year	–	–	–	136,788	136,788
Issue of shares *(note 26(c))*	343	86,767	–	–	87,110
Transfer to statutory reserves	–	–	15,447	(15,447)	–
At 31 December 2008	758	86,767	46,182	237,495	371,202
Total comprehensive income for the period	[–]	[–]	[–]	[75,355]	[75,355]
At 30 June 2009	[758]	[86,767]	[46,182]	[312,850]	[446,557]
(Unaudited)					
At 1 January 2008	415	–	30,735	116,154	147,304
Total comprehensive income for the period	–	–	–	60,084	60,084
At 30 June 2008	415	–	30,735	176,238	207,388

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiary is required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from their respective statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.

All appropriations to the funds are made at the discretion of the subsidiary's board of directors. 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 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 subsidiary subject to approval from the relevant PRC authorities.

COMBINED STATEMENTS OF CASH FLOW

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	98,981	138,719	200,910	87,369	[106,562]
Adjustments for:					
Finance costs	2,869	–	–	–	[–]
Interest income	(124)	(99)	(244)	(83)	[(476)]
Depreciation of property, plant and equipment	5,024	4,939	4,791	2,399	[2,397]
Amortisation of prepaid lease payments	92	92	92	46	[46]
Loss on disposal of property, plant and equipment	–	107	–	–	[–]
Operating cash flows before movements in working capital	106,842	143,758	205,549	89,731	[108,529]
(Increase) decrease in inventories	(32,334)	(4,463)	(19,494)	30,650	[40,619]
Decrease (increase) in trade receivables	9,778	(17,366)	(17,724)	(27,551)	[(22,111)]
(Increase) decrease in other receivables, deposits and prepayments	(584)	2	(14)	394	[924]
Increase (decrease) in trade payables	5,530	(8,328)	1,710	(5,198)	[(5,140)]
Increase (decrease) in other payables and accruals	2,226	12,935	9,553	(15,333)	[(12,411)]
Cash generated from operations	91,458	126,538	179,580	72,693	[110,410]
Income tax paid	(30,564)	(52,687)	(33,375)	(12,590)	[(36,107)]
Interest paid	(2,869)	–	–	–	[–]
NET CASH FROM OPERATING ACTIVITIES	58,025	73,851	146,205	60,103	[74,303]

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
INVESTING ACTIVITIES					
Interest received	124	99	244	83	[476]
Purchase of property, plant and equipment	(8,158)	(220)	(25,000)	(8,000)	[(2,000)]
Deposit paid on acquisition of property, plant and equipment	–	(1,700)	–	–	[–]
Proceeds from disposal of property, plant and equipment	–	300	–	–	[–]
NET CASH USED IN INVESTING ACTIVITIES	(8,034)	(1,521)	(24,756)	(7,917)	[(1,524)]
FINANCING ACTIVITIES					
Proceeds from issue of shares	415	–	–	–	[–]
Advances from a shareholder	5,596	103,131	–	–	[–]
Repayment of advances from a shareholder	(7,000)	(53,000)	(8,617)	(9,000)	[–]
Dividends paid	–	(121,500)	–	–	[–]
Repayment of bank loans	(50,000)	–	–	–	[–]
NET CASH USED IN FINANCING ACTIVITIES	(50,989)	(71,369)	(8,617)	(9,000)	[–]
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(998)	961	112,832	43,186	[72,779]
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	3,021	2,023	2,984	2,984	[115,816]
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	2,023	2,984	115,816	46,170	[188,595]

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Corporate Reorganisation, which was completed by establishing the Company, Fullest Power and Rich Treasure as the parent of Tongtian, the Company became the ultimate holding company of the companies now comprising the Group on [Date]. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity. All the entities comprising the Group were under the control of Mr. Wong Guangyuan, a director of the Company and the founding number of Tongtian, prior to and after the Corporate Reorganisation.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flow are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entity, where this is a shorter period. The combined statements of financial position as at 31 December 2006, 2007, 2008 and 30 June 2009 present the assets and liabilities of the companies now comprising the Group which had been incorporated as at the end of each relevant reporting year/period as if the current group structure had been in existence at the end of those reporting year/period.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company.

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

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "New HKFRSs") which are effective for the Group's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKFRSs (Amendments)	Improvements to HKFRSs 2008 – amendments to HKFRS 5[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendments)	Eligible Hedged Items[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[4]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the accounting policies below which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes 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.

Basis of combination

The combined financial information incorporates the financial information of the companies now comprising the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

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 and net of discounts.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided 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 value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

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.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Impairment losses

At the end of each reporting year/period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the 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 in profit or loss immediately.

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 each reporting year/period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting year/period.

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

Financial instruments

Financial assets and financial liabilities are recognised on the combined 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.

Financial assets

The Group's financial assets are all classified as loans and receivables.

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 Periods. 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.

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting year/period. Financial assets are 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 impacted.

Objective evidence of impairment could include:

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

For financial assets that are assessed not to be impaired individually, such as trade receivables, are subsequently 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 average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

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.

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 according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

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 Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables and accruals and amount due to a shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

All borrowing costs are recognised as and included in finance costs as an expense in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Research and development expenditure

Expenditure on research activities is recognised as an expense in profit or loss in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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.

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/period. Taxable profit differs from the profit as reported in the combined 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 year/period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. 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 the end of reporting year/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.

Estimation 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 the end of each of the reporting year/period and makes allowance 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.

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. As at 31 December 2006, 2007, 2008 and 30 June 2009, the carrying amounts of trade receivables are RMB46,202,000, RMB63,568,000, RMB81,292,000 and RMB103,403,000 respectively.

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 capital structure of the Group consists of debts, which includes the amount due to a shareholder as disclosed in note 24, and equity attributable to equity holders of the Company, comprising paid-in capital, reserves and accumulated 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, repayment of amount due to a shareholder, issuance of new shares as well as the raising of new debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalent)	48,225	66,552	197,108	[291,998]
Financial liabilities				
Amortised cost	82,951	115,794	18,102	[9,931]

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bank balances, trade payables, other payables and accruals, and amount due to a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

The risk arising from the Group's financial instruments are mainly credit risk and liquidity risk. The directors review policies for managing each of these risks and they are summarised below.

Credit risk

As at 31 December 2006, 2007, 2008 and 30 June 2009, 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 combined statements of financial position.

The management considers the credit risk exposure of the Group is low as the sales are normally settled within 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 liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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 table details the Group's contractual maturity for its financial liabilities. The table has been draw 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**	**Carrying amounts**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2006				
Trade payables	–	19,551	19,551	19,551
Other payables	2,804	–	2,804	2,804
Amount due to a shareholder	60,596	–	60,596	60,596
	63,400	19,551	82,951	82,951
At 31 December 2007				
Trade payables	–	11,223	11,223	11,223
Other payables	8,844	–	8,844	8,844
Amount due to a shareholder	95,727	–	95,727	95,727
	104,571	11,223	115,794	115,794
At 31 December 2008				
Trade payables	–	12,933	12,933	12,933
Other payables	5,169	–	5,169	5,169
	5,169	12,933	18,102	18,102
At 30 June 2009				
Trade payables	[–]	[7,793]	[7,793]	[7,793]
Other payables	[2,138]	[–]	[2,138]	[2,138]
	[2,138]	[7,793]	[9,931]	[9,931]

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 Financial Information 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 is principally engaged in the business of manufacturing and sales of red wine products.

The Group has five reportable segments based on different geographical zones in the PRC: North-East Region, Northern Region, Eastern Region, South-Central Region and South-West Region.

- North-East Region refers to north-east region of PRC and includes the provinces of Liaoning, Jilin, and Heilongjiang.
- Northern Region refers to the northern region of PRC and includes provinces of Hebei, Shaanxi, Inner Mongolia, Shanxi and city of Beijing.
- Eastern Region refers to the eastern region of PRC and includes provinces of Jiangsu, Zhejiang, Anhui, Fujian, Shandong and city of Shanghai.
- South-Central Region refers to the south-central region of PRC and includes provinces of Henan, Hubei, Hunan, Guangdong and Hainan.
- South-West Region refers to the south-west region of PRC and includes provinces of Sichuan, Yunnan and Guizhou and city of Chongqing.

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

No major customers information is provided as there is no revenue from transactions with a single external customer amounting to 10 per cent or more of the Group's revenue.

Information about reportable segment revenues, 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 2006						
Revenue from external customers	38,588	60,992	89,780	33,298	59,165	281,823
Reportable segment profit	17,190	28,085	39,190	15,348	24,298	124,111
As at 31 December 2006						
Reportable segment assets	4,099	10,933	10,793	10,010	10,367	46,202
Reportable segment liabilities	612	1,883	3,160	2,011	2,390	10,056
For the year ended 31 December 2007						
Revenue from external customers	58,403	71,715	136,063	42,753	82,636	391,570
Reportable segment profit	28,985	33,663	65,412	19,570	38,408	186,038
As at 31 December 2007						
Reportable segment assets	11,339	8,353	23,323	4,647	15,906	63,568
Reportable segment liabilities	3,723	1,662	7,343	1,629	3,324	17,681
For the year ended 31 December 2008						
Revenue from external customers	76,479	89,535	166,945	58,544	95,205	486,708
Reportable segment profit	41,275	46,256	83,734	28,795	45,393	245,453

	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*
As at 31 December 2008						
Reportable segment assets	9,183	8,351	30,147	11,191	22,420	81,292
Reportable segment liabilities	3,601	4,162	7,746	4,454	2,686	22,649
For the six months ended 30 June 2008						
Revenue from external customers (unaudited)	27,579	44,239	67,637	27,828	38,745	206,028
Reportable segment profit (unaudited)	14,718	22,823	33,188	13,995	18,745	103,469
For the six months ended 30 June 2009						
Revenue from external customers	[33,054]	[48,251]	[85,538]	[29,591]	[46,281]	[242,715]
Reportable segment profit	[17,539]	[24,632]	[43,032]	[14,054]	[21,755]	[121,012]
As at 30 June 2009						
Reportable segment assets	[15,277]	[15,642]	[35,117]	[14,079]	[23,288]	[103,403]
Reportable segment liabilities	[1,614]	[2,357]	[4,177]	[2,260]	[1,445]	[11,853]

Reconciliations of reportable segment revenue, profit, assets and liabilities

Revenue

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

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit					
Total profit for reportable segments	124,111	186,038	245,453	103,469	[121,012]
Unallocated amounts:					
Other corporate income	124	99	244	83	[476]
Other corporate expenses	(25,254)	(47,418)	(44,787)	(16,183)	[(14,926)]
Profit before tax	98,981	138,719	200,910	87,369	[106,562]

Segment profit represented the profit earned by each segment without allocation of depreciation, selling expense and other corporate expenses.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Total assets for reportable segments	46,202	63,568	81,292	[103,403]
Other unallocated amounts	214,587	216,491	368,948	[399,741]
Group's assets	260,789	280,059	450,240	[503,144]

Reportable segment assets exclude property, plant and equipment, prepaid lease payments, inventories and bank balances and cash which are commonly used for all segments.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Total liabilities for reportable segments	10,056	17,681	22,649	[11,854]
Other unallocated amounts	102,160	115,074	56,389	[44,733]
Group's liabilities	112,216	132,755	79,038	[56,587]

Reportable segment liabilities exclude trade payables, amount due to a shareholder, tax liabilities and deferred tax liability which cannot be allocated to the segment on a reasonable basis.

9. OTHER INCOME

Other income represents the interest income from bank deposits.

10. FINANCE COSTS

For the year ended 31 December 2006, the finance costs solely represent the interest expense on bank borrowings which was wholly repaid during that year.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The charge comprises:					
Current tax					
PRC Enterprise Income tax	36,803	33,488	56,550	24,085	[27,137]
Deferred tax *(note 25)*					
Current year/period	–	–	7,572	3,200	[4,070]
	36,803	33,488	64,122	27,285	[31,207]

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

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

On 16 March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% for the PRC subsidiary from 1 January 2008.

The Company's PRC subsidiary was approved to be converted into a wholly foreign-owned enterprise on 5 September 2006 and obtained its business license on 24 April 2007 and was entitled to tax exemption from the PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter to a 50% relief from the PRC Enterprise Income Tax for the following three years. Pursuant to Article 57 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises with Foreign Investment Enterprises issued on 26 December 2007 and effective from 1 January 2008, the tax holidays and concessions are only eligible to an entity if the entity has been registered as foreign owned enterprises on or before March 2007. As the Company's PRC subsidiary obtained its business license on 24 April 2007, it is therefore not entitled to any tax holiday from 1 January 2008.

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 profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax which is withheld by the PRC entity. Deferred tax expense of RMB7,572,000, RMB3,200,000 (unaudited) and RMB[●] on the undistributed earnings of Tongtian has been charged to the combined statements of comprehensive income for year ended 31 December 2008 and six months ended 30 June 2008 and 30 June 2009 respectively.

Taxation for the year/period can be reconciled to the profit before tax per the combined statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	98,981	138,719	200,910	87,369	[106,562]
Tax charge at income tax rate of 33% for 2006 and 2007 and 25% for 2008 [and 2009]	32,664	45,777	50,228	21,842	[26,641]
Tax effect of income not taxable for tax purpose	–	(2)	–	–	[–]
Tax effect of expenses not deductible for tax purpose	4,139	7,088	6,322	2,243	[496]
Effect of tax exemptions granted to PRC subsidiary	–	(19,375)	–	–	[–]
Deferred tax on undistributed earnings of PRC subsidiary	–	–	7,572	3,200	[4,070]
Taxation for the year/period	36,803	33,488	64,122	27,285	[31,207]

12. PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period and total comprehensive income for the year/period has been arrived at after charging:					
Auditors' remuneration	100	100	120	60	[60]
Cost of inventories recognised as an expense	107,965	139,104	161,098	68,830	[81,057]
Depreciation of property, plant and equipment	5,024	4,939	4,791	2,399	[2,397]
Amortisation of prepaid lease payments	92	92	92	46	[46]
Research and development costs	850	1,150	1,180	–	[–]
Foreign exchange loss	–	13	57	57	[–]
Loss on disposal of property, plant and equipment	–	107	–	–	[–]
Staff costs, including directors' remuneration					
– salaries and other benefits costs	2,297	2,367	4,553	1,999	[2,177]
– sales commission	6,505	9,055	11,246	4,741	[5,602]
– retirement benefits scheme contribution	433	425	642	311	[314]
Professional fees (included in other expenses)	–	–	13,012	[–]	[1,573]

13. DIRECTORS' EMOLUMENTS

Details of the emoluments paid and payable to the three directors of the Company for the Relevant Periods are as follows:

	Salary	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2006			
Mr. Wang Guangyuan	24	6	30
Mr. Zhang He Bin	23	6	29
Ms. Wang Lijuan	21	4	25
	68	16	84
For the year ended 31 December 2007			
Mr. Wang Guangyuan	25	5	30
Mr. Zhang He Bin	24	5	29
Ms. Wang Lijuan	21	4	25
	70	14	84
For the year ended 31 December 2008			
Mr. Wang Guangyuan	35	7	42
Mr. Zhang He Bin	31	6	37
Ms. Wang Lijuan	26	6	32
	92	19	111
For the six months ended 30 June 2008 (unaudited)			
Mr. Wang Guangyuan	17	4	21
Mr. Zhang He Bin	15	3	18
Ms. Wang Lijuan	13	3	16
	45	10	55
For the six months ended 30 June 2009			
Mr. Wang Guangyuan	[16]	[3]	[19]
Mr. Zhang He Bin	[15]	[3]	[18]
Ms. Wang Lijuan	[12]	[3]	[15]
	[43]	[9]	[52]

None of the directors waived any emoluments in the Relevant Periods.

14. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group did not include any director of the Company for the Relevant Periods. The emoluments of the five highest paid individuals were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Performance related incentive payments	2,977	3,745	4,683	2,124	[2,388]
Retirement benefits scheme contribution	40	54	65	32	[87]
	3,017	3,799	4,748	2,156	[2,475]

Their emoluments were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Less than RMB980,000 (equivalent to HK$1,000,000)	5	4	3	5	[5]
RMB980,001 to RMB1,320,000 (equivalent to HK$1,000,000 to HK$1,500,000)	–	1	2	–	[–]
	5	5	5	5	[5]

During the Relevant Period, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends recognised as distribution during the year	55,000	66,500	–	–	[–]

During the year ended December 31, 2006, Tongtian declared dividend of RMB55,000,000 to its then shareholders. The dividend payable was transferred to and included in the amount due to a shareholder at 31 December 2006. The amount was settled during the year ended 31 December 2007.

During the year ended December 31, 2007, Tongtian declared and paid dividend of RMB66,500,000 to its then shareholders.

16. EARNINGS PER SHARE

The calculations of basic earnings per share for the Relevant Periods are based on the profit for each of the years ended 31 December 2006, 31 December 2007 and 31 December 2008 and for the six months ended 30 June 2008 and 30 June 2009 of RMB62,178,000, RMB105,231,000, RMB136,788,000 and RMB60,084,000 (unaudited) and [RMB75,355,000] respectively and on the basis of [●] ordinary shares issued pursuant to the Group Reorganisation that is deemed to have become effective on 1 January 2006.

No diluted earnings per share has been presented for the Relevant Periods as there is no outstanding potential ordinary share at each balance sheet date.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Building	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2006	–	22,998	77,688	97	1,172	101,955
Additions	–	–	278	10	–	288
At 31 December 2006	–	22,998	77,966	107	1,172	102,243
Additions	–	–	220	–	–	220
Disposals	–	–	(602)	–	–	(602)
At 31 December 2007	–	22,998	77,584	107	1,172	101,861
Additions	26,700	–	–	–	–	26,700
At 31 December 2008	26,700	22,998	77,584	107	1,172	128,561
Additions	2,000	–	–	–	–	2,000
At 30 June 2009	28,700	22,998	77,584	107	1,172	130,561
ACCUMULATED DEPRECIATION						
At 1 January 2006	–	1,906	6,141	60	764	8,871
Provided for the year	–	874	3,909	20	221	5,024
At 31 December 2006	–	2,780	10,050	80	985	13,895
Provided for the year	–	874	3,922	10	133	4,939
Eliminated on disposals	–	–	(195)	–	–	(195)
At 31 December 2007	–	3,654	13,777	90	1,118	18,639
Provided for the year	–	874	3,912	5	–	4,791
At 31 December 2008	–	4,528	17,689	95	1,118	23,430
Provided for the period	[–]	[437]	[1,957]	[3]	[–]	[2,397]
At 30 June 2009	[–]	[4,965]	[19,646]	[98]	[1,118]	[25,827]
CARRYING VALUES						
At 31 December 2006	–	20,218	67,916	27	187	88,348
At 31 December 2007	–	19,344	63,807	17	54	83,222
At 31 December 2008	26,700	18,470	59,895	12	54	105,131
At 30 June 2009	[28,700]	[18,033]	[57,938]	[9]	[54]	[104,734]

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 value at the following rates per annum:

Building	4%
Plant and machinery	5% – 10%
Office equipment	20%
Motor vehicles	20%

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

18. PREPAID LEASE PAYMENTS

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land in the PRC				
Long lease	4,217	4,125	4,033	[3,987]
Analysed for reporting purposes as:				
Non-current asset	4,125	4,033	3,941	[3,895]
Current asset	92	92	92	[92]
	4,217	4,125	4,033	[3,987]

19. INVENTORIES

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw material	11,089	1,873	3,273	[4,048]
Work in progress	86,202	110,551	129,094	[87,825]
Finished goods	21,745	11,075	10,626	[10,501]
	119,036	123,499	142,993	[102,374]

20. TRADE RECEIVABLES

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	46,202	63,568	81,292	[103,403]

The Group allows a credit period of 90 days to its trade customers except for the new customers newly accepted which payment is made when goods are delivered. The following is an aged analysis of trade receivables at the reporting date:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	36,077	51,202	77,558	[44,378]
31 – 60 days	9,197	12,366	3,734	[44,121]
61 – 90 days	928	–	–	[14,904]
	46,202	63,568	81,292	[103,403]

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 each of the respective reporting year/period.

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates with average market rates of 0.79%, 0.81%, 0.57% and 0.32% per annum, for the year ended 31 December 2006, 2007, 2008 and six months ended 30 June 2009 respectively.

22. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of each of the respective reporting year/period:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	7,316	671	7,548	[2,232]
31 – 60 days	6,683	3,049	5,385	[4,347]
61 – 90 days	5,552	7,503	–	[1,214]
	19,551	11,223	12,933	[7,793]

The average credit period on purchase of material other than grapes is 90 days and cash on delivery on purchase of grapes.

23. OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other tax payable	8,743	15,279	18,893	[9,920]
Accrued expenses	1,323	1,682	11,296	[10,889]
Other creditors	2,804	8,844	5,169	[2,138]
	12,870	25,805	35,358	[22,947]

24. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder, which is denominated in RMB, is unsecured, interest-free and repayable on demand. Included in the amount due to a shareholder as at 31 December 2006 was dividend payable of RMB55,000,000 declared during the year ended 31 December 2006. The amount was settled during the year ended 31 December 2007.

25. DEFERRED TAX LIABILITY

	Undistributed earnings of a PRC subsidiary
	RMB'000
At 1 January 2006, 31 December 2006 and 31 December 2007	–
Charge for the year *(note 11)*	7,572
At 31 December 2008	7,572
Charge for the period *(note 11)*	[4,070]
At 30 June 2009	[11,642]

26. PAID-IN CAPITAL

(a) Paid-in capital in the combined statement of financial position as at 31 December 2006 represents the aggregate of the issued share capital of Fullest Power comprising 50,000 shares of US$1 each (equivalent to RMB415,000) and paid-up capital of Tongtian of RMB40,000,000.

Paid-in capital in the combined statement of financial position as at 31 December 2007 represents the issued share capital of Fullest Power comprising 50,000 shares of US$1 each (equivalent to RMB415,000).

Paid-in capital in the combined statement of financial position as at 31 December 2008 and 30 June 2009 represents the issued share capital of Fullest Power comprising 100,000 shares of US$1 each (equivalent to RMB758,000).

(b) In 2006, the founding members of Tongtian established Fullest Power with a view to transfer all equity interest in Tongtian to Fullest Power and Fullest Power becoming the holding company of Tongtian.

Pursuant to written resolutions of the board of directors of Fullest Power passed on 21 August 2006, Fullest Power entered into an equity transfer agreement with the founding members of Tongtian and, where relevant, their respective nominees to acquire the entire equity interests of Tongtian for a consideration of RMB87,110,000. The acquisition of Tongtian was financed by the shareholders of Fullest Power. The injection of additional paid-up capital to Tongtian and the equity interest transfer was completed on 30 September 2007 and Fullest Power became the holding company of Tongtian.

(c) Pursuant to written resolutions of the board of directors of Fullest Power passed on 28 November 2008, the amount due to a shareholder of RMB87,110,000 was capitalised by Fullest Power by the allotment of an aggregate of 50,000 shares of US$1 each in Fullest Power to the existing shareholders in proportion to their shareholding.

27. MAJOR NON-CASH TRANSACTIONS

The Group's major non-cash transactions are disclosed in notes 15 and 26(c) above.

28. CONTINGENT LIABILITIES

Prior to October 2008, Cabernet Sauvignon wine products were produced by Tongtian under the label of "通天解百納" in Chinese.

On 14 April 2002, Yantai Changyu Pioneer Wine Company Limited ("Yantai Changyu") registered the trademark for the Chinese characters for Cabernet Sauvignon wine products, "解百納" with the Trademark Bureau of the State Administration for Industry and Commerce ("SAIC") ("Trademark Bureau") (the "Registration"). The Registration was subsequently revoked by the Trademark Bureau on application by several wine producers in the PRC against the Registration (the "Withdrawal Ruling").

On 23 June 2008, the Yantai Changyu group of companies successfully appealed against the Withdrawal Ruling, which was then revoked by the Trademark Appeal Board of the SAIC.

On 27 June 2008, several wine producers in the PRC brought the matter to the Beijing Municipal First Middle Level People's Court seeking a judicial review of both the Registration as well as the revocation of the Withdrawal Ruling. As at the date of this report, the matter has not been resolved. Should the Registration eventually be conclusively upheld by the PRC courts, other wine producers in the PRC will not be allowed to use the Chinese characters for Cabernet Sauvignon wine products, "解百納", as part of their product labels. In addition, if the Registration is deemed by the PRC courts to have been continuously effective from 14 April 2002 until such date as the Registration is conclusively upheld (the "Period of Alleged Infringement"), the Yantai Changyu group of companies would likely be able to successfully bring legal proceedings for trademark infringement against other PRC wine producers which had used "解百納" in their product labels during the Period of Alleged Infringement.

Tongtian ceased the sale of its Cabernet Sauvignon products under the "通天解百納" name in October 2008, and commenced repackaging its Cabernet Sauvignon wine products using a different label in Chinese characters. Should the Yantai Changyu group of companies commence legal proceedings against Tongtian for trademark infringement during the Period of Alleged Infringement and the defence against such legal proceedings is unsuccessful, the damages which may be awarded by the PRC courts under the relevant PRC laws for trademark infringement may be in the form of repatriation of profits earned by Tongtian through the sale of "解百納" labelled wine products, or the losses suffered by the Changyu Group as a result of Tongtian's infringement during the Period of Alleged Infringement (including any reasonable costs incurred by the Yantai Changyu group to stop such infringement). Where the profit earned or losses incurred cannot be determined, the management estimates that the amount of damages shall be not more than RMB500,000.

29. OPERATING LEASES

The Group as lessee

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Minimum lease payments paid under leases during the year/period:					
Plant and machinery	1,150	1,850	2,010	925	[1,005]
Premises for office and warehouse	–	234	395	197	[193]
	1,150	2,084	2,405	1,122	[1,198]

At the end of each of the reporting year/period, the future lease payments under non-cancellable operating leases in respect of plant and machinery and rented premises which fall due as follows:

		At 31 December		At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant and machinery				
Within one year	–	617	1,894	[2,010]
In the second to fifth year inclusive	–	4,933	1,522	[503]
	–	5,550	3,416	[2,513]
Rented premises for office and warehouse				
Within one year	–	267	251	[54]
In the second to fifth year inclusive	–	120	–	[–]
	–	387	251	[54]

Operating lease payments represent rentals paid or payable by the Group for certain of its office premises and plant and equipment.

30. CAPITAL COMMITMENTS

		At 31 December		At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of construction of new plant contracted for but not provided in the Financial Information	–	46,335	21,355	[19,335]

31. RETIREMENT BENEFITS SCHEMES

The employees of the Company's subsidiary established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiary is 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 RMB433,000, RMB425,000, RMB642,000 and RMB311,000 (unaudited) and [RMB334,000] for the year ended 31 December 2006, 2007, 2008 and six months ended 30 June 2008 and 30 June 2009 respectively.

32. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term benefits	131	120	144	72	[81]
Post-employment benefits	28	25	30	15	[17]
	159	145	174	87	[98]

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

B. NET ASSETS OF THE COMPANY

The Company was incorporated on 21 August 2008. As at 31 December 2008 and 30 June 2009, the Company has no asset and liability. Pursuant to the Corporate Reorganisation, the Company became the holding company of the Group on [Date]. Had the Corporate Reorganisation been completed on 30 June 2009, the net assets of the Company as at 30 June 2009 would have been approximately RMB[●], representing its interests in subsidiaries.

C. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company payable for the year ending 31 December 2009 is estimated to be RMB[●] (equivalent to approximately HK$[●]).

D. ULTIMATE HOLDING COMPANY

At the date of this report, the directors of the Company consider Up Mount Limited, a company incorporated in the BVI, to be the ultimate holding company of the Company which is under the control of Mr. Wong Guangyuan.

E. SUBSEQUENT EVENTS

[●]

F. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 30 June 2009.]

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong