TONTINE

China Tontine Wines Group Limited
中國通天酒業集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 389

INTERIM REPORT

2017

Contents

Financial Highlights

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profitability data		
Revenue	**81,044**	178,064
Gross profit	**25,269**	62,349
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	**(39,592)**	13,290
(Losses) earnings per share		
– Basic (RMB cents)	**(2.0)**	0.7
– Diluted (RMB cents)	**(2.0)**	0.7

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profitability ratios		
Gross profit margin	**31.2%**	35.0%
Net (loss) profit margin *(Note 1)*	**(48.9%)**	7.5%
Effective tax rate	**–**	–
Return on equity *(Note 2)*	**(6.6%)**	1.9%
Return on assets *(Note 3)*	**(5.6%)**	1.6%
Operating ratios (as a percentage of revenue)		
Advertising and marketing expenses	**38.6%**	0.4%
Staff costs	**14.6%**	12.3%

Notes:

1. Net (loss) profit margin is equal to the (loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company divided by revenue.

2. Return on equity is equal to the (loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company divided by the average balance of the equity attributable to owners of the Company as at the beginning of each period and as at the end of each period.

3. Return on assets is equal to the (loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company divided by the average balance of total assets as at the beginning of each period and as at the end of each period.

	At 30 June 2017 *RMB'000* (Unaudited)	At 31 December 2016 *RMB'000* (Audited)
Assets, liabilities and equity data		
Non-current assets	**204,241**	205,955
Current assets	**484,341**	531,381
Current liabilities	**41,203**	48,785
Shareholders' equity	**580,658**	620,250
Non-controlling interests	**66,721**	68,301

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Other key financial ratios and information		
Current ratios *(Note 4)*	**11.8**	10.9
Quick ratios *(Note 5)*	**5.0**	4.7
Net asset value per share (RMB) *(Note 6)*	**0.32**	0.34
Inventory turnover days (days) *(Note 7)*	**1,161**	739
Trade receivables turnover days (days) *(Note 8)*	**62**	75
Trade payables turnover days (days) *(Note 9)*	**19**	18

Notes:

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

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

6. The calculation of net asset value per share is based on the net assets divided by weighted average number of shares for the period/year.

7. Inventory turnover days are computed by dividing the average of the beginning and closing inventory balances in the respective financial period by cost of sales (excluding consumption tax and other taxes) and multiplied by 182 days (for the six months ended 30 June 2017) and 365 days (for the year ended 31 December 2016).

8. Trade receivables turnover days are computed by dividing the average of the beginning and closing trade receivables balance in the respective financial period by revenue and multiplied by 182 days (for the six months ended 30 June 2017) and 365 days (for the year ended 31 December 2016).

9. Trade payables turnover days are computed by dividing the average of the beginning and closing trade payables balance in the respective financial period by cost of sales (excluding consumption tax and other taxes) and multiplied by 182 days (for the six months ended 30 June 2017) and 365 days (for the year ended 31 December 2016).

10. The financial data of the Company for the year ended 31 December 2016 and information as to its consolidated financial position as at 31 December 2016 are extracted from the Company's annual report dated 27 February 2017.

Corporate Information

EXECUTIVE DIRECTORS
Mr. Wang Guangyuan
Mr. Zhang Hebin
Ms. Wang Lijuan (resigned on 2 May 2017)
Ms. Wang Lijun (appointed on 2 May 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lai Chi Keung, Albert
Mr. Lam Yiu Por
Mr. Yang Qiang

COMPANY SECRETARY
Mr. Wong Kwok Kuen, *FCCA*

AUDIT COMMITTEE
Mr. Lam Yiu Por *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

REMUNERATION COMMITTEE
Mr. Lam Yiu Por *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

NOMINATION COMMITTEE
Mr. Lai Chi Keung, Albert *(Chairman)*
Mr. Wang Guangyuan
Mr. Yang Qiang

AUTHORISED REPRESENTATIVES
Mr. Wang Guangyuan
Mr. Wong Kwok Kuen

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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Certified Public Accountants
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Hong Kong

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

INVESTOR RELATIONS CONSULTANT

CorporateLink Limited

COMPANY WEBSITE

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

SHARE INFORMATION

Listing date: 19 November 2009
Stock name: Tontine Wines
Number of issued shares as at 30 June 2017: 2,013,018,000 shares
Board lot: 2,000 shares

STOCK CODE

389

FINANCIAL YEAR-END DATE

31 December

The board of directors (the "Board" or the "Directors") of China Tontine Wines Group Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present herein the unaudited interim results of the Group for the six months ended 30 June 2017 (the "Period" or the "period under review").

INDUSTRY OVERVIEW

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China grew by 6.9% year-on-year in the first half of 2017. The slowdown of China's economy has become a new normal. Change in the economic environment also affected the overall sentiment and attitude towards consumption. On the other hand, overshadowed by the crackdown of the Chinese Government on corruption and restrictions imposed on lavish entertainment, high-end consumer goods succumbed to fall in sales. With the rapid development of domestic wine market, the wine manufacturing countries in the world have aimed at China market, thus bringing severe challenge to the wine enterprises in China. According to the statistical data of China customs, the gross wine imported into China grew by 8.53% year-on-year from January to May 2017. Confronted with the increase in the quantity of imported products, domestic wine manufacturers undertook more pressure on sales and price reduction.

Affected by a considerable increase in the total volume of wine imports and decline of import price, the wine industry in China underwent depth adjustment. High-end wine succumbed to fall in sales and price in China market in recent years. On the other hand, domestic consumer structure has excited a change, and consumption orientation tends to be rational. At present, consumers prefer more professional sales service, more brand choices and more affordable prices. Therefore, domestic wine enterprises adjust their industrial and product structures, create marketing mode and promote product quality to cater to the market shift.

As domestic well-known wine brands gradually deepen their penetration into the market, wine brand differentiation tends to be obvious, and consumers further enhance their trust and pursuit of the brand. In addition, with the upgrading of consumption level, consumers also constantly raise their requirements, thereby making wine sales more personalized and product cost-effectiveness more important.

In the aspect of distribution channels, most distributors adopted the operation model of "More emphasis on sales and less on service" in the past. In recent years, subjected to the impact of e-commerce, the distribution channels and methods of wine have changed. The sales pattern of e-commerce and online&offline integration mainly target individuals, while distributors also transform themselves from seller to service provider, so as to improve consumer service and experience.

FINANCIAL REVIEW

During the period under review, business environment had continuously deteriorated, and the Group's operations was confronted with significant challenges, in the wake of declining sales of wine driven by the slowdown in China's economic growth. In the period under review, the Group's product sales significantly reduced, a continuation of the trend in the second half of last year. As a result, the Group's revenue declined. In addition, the Chinese Government's restriction on extravagant entertainment had further dragged down the sales of high-end wine products manufactured by the Group, thereby creating pressure on its performance. In the first half of 2017, wine imports have been deepening their penetration into the China market, while the value of related products has also been reduced, thus seriously affecting the sales of local products. In response to the market dynamics, the Group raised its outlay in brand building and marketing in a bid to strengthen its overall sustainable competitive edges during the period under review. Such investments led to a surge in the Group's advertising and marketing expenses, thereby weakening the Group's profitability during the period under review.

During the period under review, the Group's product quality has been further recognized in the industry. "Tontine Xuanniya Ice Red Grape Wine (Beibinghong 2013)" produced by the Group won a gold award in "the 8th Asia Wine Quality Competition (2017)" held in March, while "Tontine Xuanniya Ice White Grape Wine (Vidal 2012)" won the silver award. China Tontine Wines Group was ranked among "Top 100 Chinese Wine Manufacturers 2016" by "China Alcoholic Drinks Industry" magazine due to its comprehensive competitiveness at the beginning of this year.

The following table shows gross profit, gross profit margin and year-on-year comparison during the Period:

	Six months ended 30 June		Decrease
	2017	2016	**year-on-year**
Overall gross profit (RMB'000)	**25,269**	62,349	-59.4%
Overall gross profit margin	**31.2%**	35.0%	-3.8 percentage points

For the six months ended 30 June 2017, the Group's revenue decreased by approximately 54% year-on-year to RMB81,044,000. Overall gross profit stood at RMB25,269,000 with the Group's gross profit margin adjusted to approximately 31% due to a decrease in revenue. The loss attributable to the owners of the Company amounted to RMB39,592,000 for the period under review against a profit of RMB13,290,000 in the corresponding period last year. The basic losses per share for the period under review was RMB2.0 cents (2016 corresponding period: basic earnings per share of RMB0.7 cents).

The loss for the period under review was mainly attributed to the decline in the revenue, and the upsurge of selling and distribution expenses by 147% year-on-year to RMB44,530,000, of which approximately RMB36,661,000 was advertising and promotional expenses, rising greatly year-on-year. Due to the intensified competition of the domestic wine market impacted by quantity and price of imported products, the management considered it necessary to step up efforts in brand building and marketing promotion, in order to enhance the competitive edges of the Group against local and imported products in the coming years. These moves were aimed at strengthening the leading industry position of the Group, as well as raising the popularity and penetration of the Group's products.

For the six months ended 30 June 2017, the total cost of sales of the Group was RMB55,775,000. A drop in wine output during the period under review brought about a corresponding approximately 52% year-on-year retreat in overall costs, of which raw material costs representing maximum proportion in total cost of sales reduced by approximately 55% to RMB40,241,000.

Major raw materials required for producing wine products of the Group are grapes, grape juice, yeast and additives as well as packaging materials (including bottles, bottle caps, label, corks and packaging boxes). During the period under review, the cost of raw materials accounted for approximately 72% of the Group's total cost of sales.

The following table sets forth the breakdown of the costs required for production of the Group for the six months ended 30 June 2017:

	Six months ended June 30		
	2017 **(RMB'000)**	2016 *(RMB'000)*	**Change %**
Raw materials	**40,241**	88,881	–55%
Production overheads	**4,998**	4,441	+13%
Consumption tax and other taxes	**10,536**	22,393	–53%
Total cost of sales	**55,775**	115,715	–52%

OPERATION REVIEW

Due to the slowdown of China's economy, declined demand of domestic consumers for domestic wine products, and high-end products suffered more obvious impact of restrictions on lavish entertainment imposed by the Chinese Government, the Group placed its emphasis on promoting sweet wine products targeted at the daily consumption needs of the general public during the period under review.

The low-margin sweet wine products accounted for 59% of the total revenue of the Group in the first half of 2017, while the high-margin dry wine products accounted for 35%. These two wine products accounted for 94% in aggregate of the total revenue in the first half of 2017, similar to the weighting of the same period of the previous year. During the period under review, brandy only accounted for 3% of the total revenue in the first half of 2017. Other wine products such as white wines and ice wines accounted for 3% of the overall revenue.

During the period under review, the management continued to streamline its product system. As such, the Group removed those products with lukewarm consumer acceptance from the market, and reallocated resources to those well-received mass-market items. The Group optimized the product portfolio by reducing certain types of high-end wines and bringing in new sweet wine products geared to popular consumption. This approach enabled the Group to meet the diverse demand from different consumer segments. As at the end of the period under review, the Group offered a total of 95 types of wine products.

OUTPUT VOLUME AND SALES

During the period under review, the Group's production facilities in Tonghua, Jilin Province and Yantai Baiyanghe, Shandong Province produced a total of 2,211 and 1,805 tonnes of wine products respectively.

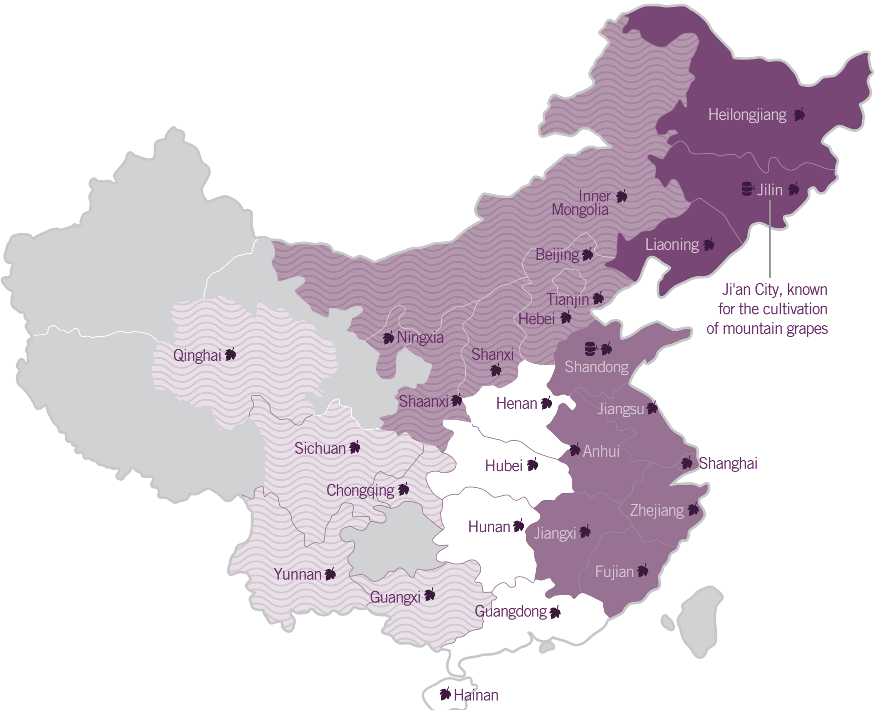
During the period under review, the total sales volume of the Group decreased by approximately 52% to 4,858 tonnes as compared to the corresponding period of the previous year, and the overall output of the Group retreated from the same period of the previous year, mainly due to dampened market demand and the impact of imported products. The average selling price per tonne was adjusted by about 5% to RMB16.7 as compared to the corresponding period of the previous year, of which the average selling price of ice wine and white wine reached the highest, amounted to RMB192.9 and RMB630 respectively; while the average selling price per tonne of sweet wine and dry wine with the most sales volume was RMB13.5 and RMB24.6 per tonne respectively.

The Group sells the majority of its products to distributors, who distribute such wine products to third-party retailers, including supermarkets, and specialty stores selling tobacco and alcohol, food and beverage outlets such as restaurants and hotel restaurants. These distributors also sell directly to end-consumers and other sub-distributors for further sales distribution.

As at 30 June 2017, the Group's products were sold through 104 distributors in 20 provinces, 3 autonomous regions and 4 direct-controlled municipalities of China. During the period under review, the Group further streamlined the structure of its selling and distribution network, by conducting rigorous distributors' performance audit and eliminating underperformed distributors.

During the period under review, the Group gradually improved the ratio of online sales through online e-platform, including Jiuxian.com and other channels. Meanwhile, the Group actively cooperated with leading wine industries and used their domestic chain sales platforms and e-commerce platforms to expand product coverage of the Group and develop wine retail sharing alliance direct to the consumers.

China Tontine Wines Group Limited
Production base and distribution network in the first half of 2017

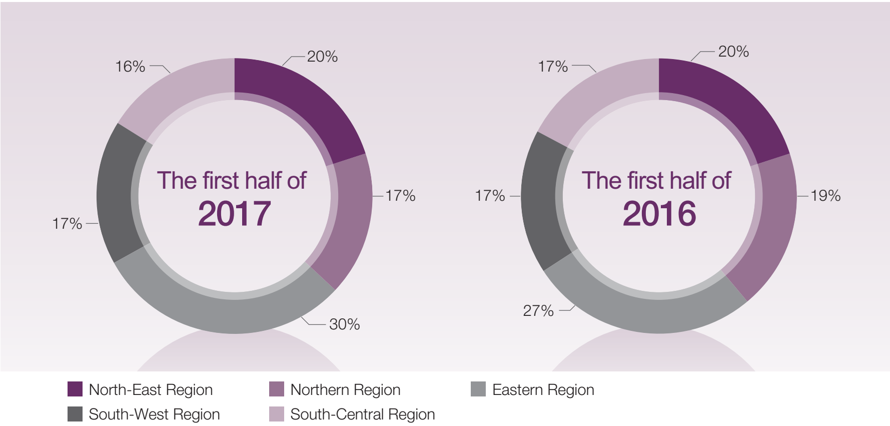


Notes:

1. **North-East Region** includes the Provinces of Heilongjiang, Jilin and Liaoning.
2. **Northern Region** includes the Provinces of Hebei, Shaanxi, Shanxi, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, city of Beijing and city of Tianjin.
3. **Eastern Region** includes the Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Zhejiang and city of Shanghai.
4. **South-Central Region** includes the Provinces of Guangdong, Hainan, Henan, Hubei and Hunan.
5. **South-West Region** includes the Provinces of Qinghai, Sichuan, Yunnan, Guangxi Zhuang Autonomous Region and city of Chongqing.
6. Distribution Network.
7. Production Base.

Regional market performance

The pie charts below show the breakdown of revenues from different regional markets of the Group in the first half of 2017 and the first half of 2016:



In terms of regional revenue, the Eastern region remained the largest market of the Group during the period under review, with revenue amounting to RMB24,158,000, representing 30% of the total revenue, up by approximately 3 percentage points year-on-year. Wine products were generally well received in this region, as it covered those prosperous provinces in China with a relatively high per-capita income level. However, the competition in this region was more severe than others due to its consumption concentration.

During the period under review, the revenue of North-East region, as the production base of Tonghua, Jilin, reached RMB16,048,000, accounting for 20% of the total revenue, similar to the level of the previous year. This region was ranked the second largest market of the Group. The market performance of the North-East region was relatively steady, which was mainly attributable to high acceptance and favorable brand recognition of the Group's products in the locality.

During the period under review, the revenue in the Northern region recorded RMB14,085,000, accounting for 17% of the total revenue. The revenue in the South-West region recorded RMB14,090,000, accounting for 17% of the total revenue. The revenue in the South-Central region recorded RMB12,663,000, accounting for 16% of the total revenue.

BUSINESS INDICATOR REVIEW

Inventory turnover days

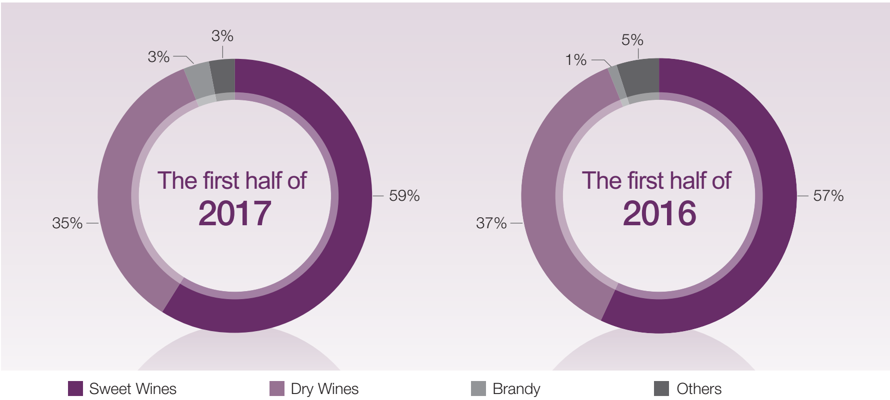
The inventory turnover days of the Group as at the end of the period under review stood at 1,161 days, representing an increase as compared to that as at the end of the corresponding period last year. This was attributable to a slight drop in sale during the period under review as compared to the corresponding period last year.

Trade account receivables turnover days

As at 30 June 2017, the trade account receivables turnover days of the Group stood at 62 days. Trade account receivables slightly increased to RMB28,117,000 as compared with the beginning of the Period.

OPERATION ANALYSIS BY PRODUCT

The pie charts below show the breakdown of revenue from different wine products of the Group in the first half of 2017 and the first half of 2016:



Sweet wines

For the six months ended 30 June 2017, sweet wines contributed the most to the Group's output and sales. Its revenue for the first half of 2017 amounted to RMB47,886,000, representing a decrease of 53% as compared with the corresponding period last year. Dampened by weakened overall demand for wine products and impact of imported products, its gross profit margin declined to 25%. Sweet wines accounted for approximately 48% of the overall gross profit of the Group in the first half of 2017. During the period under review, the Group launched 4 types of new sweet wines in total in order to satisfy the market demands for popular products. At the end of the period under review, the Group marketed 47 types of sweet wines in total.

Dry wines

During the period under review, the sales revenue from dry wines amounted to RMB28,103,000. Due to the severe impact of the Chinese Government's restriction on extravagant entertainment and hospitality, its gross profit margin was 41%, accounting for approximately 45% of the overall gross profit of the Group during the period under review. At the end of the period under review, the Group marketed 43 types of dry wines in total.

Brandy

During the period under review, the Group's revenue from brandy reached approximately RMB2,839,000; and its gross profit margin was 22.2%, accounting for approximately 3% of the overall gross profit.

Other products

Other products of the Group, including high-end ice wines and white wines, were also impacted by the Chinese Government's urge for thrift consumption during the period under review. In the first half of 2017, the Group's revenue from ice wines was RMB1,775,000, with gross profit margin increasing to 44% and the revenue from white wines was RMB441,000. Other products only accounted for 4% in aggregate of the Group's overall gross profit during the period under review.

Business prospects

There were uncertainties in the global political and economic landscapes in the first half of 2017. Change in European politics and America's new president taking office caused certain influence on geopolitics and global economy. In addition, due to the lower single-digit growth rate in China's economy, domestic consumers have taken a cautious attitude towards consumption. Domestic alcoholic products, especially wines, will continue to see a debubbling process in sales prices. With the impact of imported products, the price competition in the market is expected to remain intense, which makes wine manufacturers and distributors face greater challenges.

The chase for branded wine products has turned more pronounced among Chinese consumers, especially amid the shifting of consumption from high-end products driven by public/corporate-financed banqueting to mid to low end products targeted at middle class and younger generation. This trend will trigger suppliers to increase the outlay in brand building. In addition, the distribution channels of China's wine market are undergoing changes, as traditional distribution channels are under mounting pressure from specialized chain stores and hypermarkets. On the other hand, online&offline linkage sales which integrated e-commerce and traditional distribution channels focused more on personalized marketing to individual consumers by using more network platforms and social marketing means.

The management believes that only household brands with high credibility can support the Group's foothold in China's fiercely competitive wine market. Systematic brand building and promotion can enhance the target consumer group's recognition and identification of the Group's products. This in turn will help maintaining consumers' loyalty in the Group's products, and consolidate the Group's competitive edges and share in the complicated and fast-changing market. The Group will promote consumers' product awareness through personalized, social and online&offline linkage publicity following the market trend in the future.

The Group signed strategic cooperation agreements with three domestic leading wine enterprises in March this year to establish a new model of wine retail sharing alliance in China covering from the production in the production area to consumers, so as to expand the coverage of domestic online&offline sales of its products. Wine enterprises participating in the strategic cooperation include Beijing Wangjiu Electronic Commerce Co., Ltd.（北京網酒網電子商務股份有限公司）which is affiliated to LeEco, Henan Liquor Easy Commercial Corporation（河南酒便利商業股份有限公司）, a member of Legend Holdings and Heilongjiang Wine Direct Supply Chain Management Co. Ltd（黑龍江酒直達供應鏈管理有限公司）.

With the production and supporting service capacity of China Tontine Wines Group serving as the core of the strategic alliance, the strategic cooperation is designed to establish a new model of wine retail sharing alliance in China covering from the production in the production area to consumers, combining with the marketing advantages of these three leading wine enterprises, including layouts of new retail chain platform and e-commerce covering national core cities, complete membership service system and strong marketing resources. All parties are seeking for further cooperation, including introducing more products of the Group, so as to carry out continuous brand communication and tasting promotion nationwide.

The Jilin Tongtian Winery established by the Group is approaching the final stage of calibration. It is expected that after the beginning of initial production in the second half of 2017, small-batch products will be launched to the market in the fourth quarter of the year or the first quarter of next year. The winery is mainly engaged in the development of its own high-end products, with its annual capacity of about 500 tonnes. Leveraging on the strengths of the winery, the Group plans to produce the high and mid-end products with its own brand characteristics through the fully integrated operation all the way from grape plantation to wine brewing. The winery with proprietary high and mid-end wines would also be advantageous to deepening the Group's brand building efforts. The gross profit margin of the products is expected to be higher than that of other similar products in the Group when the winery runs smoothly.

Apart from self-production of high-end products, the Group is also exploring the feasibility of merger and acquisition in domestic and overseas markets, with the aim of introducing new production bases or varieties of products, optimizing the Group's product portfolio and catering to the tastes and needs of various customers. The Group adopts an extremely cautious approach to the exploration in relevant merger and acquisition. It will carry out in-depth research on the operations, product quality, target market, development prospects of the projects proposed to be merged and acquired, as well as the synergies brought to the existing business of the Group after evaluating its own resources and advantages. After the end of the interim period, the Group entered into a memorandum of understanding with independent third parties for the possible acquisition of 25.53% equity interests in Beijing Wangjiu Electronic Commerce Co., Ltd.（北京網酒網電子商務股份有限公司), which operates a mature vertically integrated marketing platform with 5 million online consumers and 3,000 core collaborators as well as a comprehensive layout of retail network.

The management is also actively exploring the diversified development of business, so as to establish broader and more balanced sources of revenue via business connections of the Group in related fields. The Group is making a preliminary study of the viability of investment in agricultural projects in the northeast China to expand the business to other agriculture-related fields.

China has become the second largest importer of still wine in the world after the US. The wine imports is becoming more and more popular and the number of importing countries with zero duties have increased, which promotes the high-speed growth of wine imports and reduction in price. More and more overseas wineries and professional distributors are going to sell directly to the Chinese market and the market share of wine imports is expected to rise, which poses a great pressure of replacing inefficient players by leading enterprises on domestic vintners. Facing such severe market situation, the management will uphold the strategy of maintaining a strong financial position, and adopt a pragmatic stance in exploring a stable and diversified development trail for the Group. The Group will maintain sufficient cash on hand to flexibly respond to changes in the market.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group's revenues, expenses, assets and liabilities were substantially denominated in Renminbi ("RMB"). Accordingly, there has been no significant exposure to foreign exchange fluctuation.

In view of the minimal foreign currency exchange risk, the Directors will closely monitor the foreign currency movement instead of entering into any foreign exchange hedge arrangement.

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

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016 corresponding period: nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's working capital was healthy and positive and we generally financed the Group's operation with internal cash flows generated from operations for the past years. As at 30 June 2017, the Group's cash and cash equivalents were substantially denominated in RMB and amounted to approximately RMB158,013,000. The Group has sufficient financial resources and a strong cash position for satisfying working capital requirements of business development, operations and capital expenditures.

Capital commitments and charges on assets

The Group made capital expenditure commitments of approximately RMB6,300,000 contracted but not provided for in the condensed consolidated financial statements as at 30 June 2017. These commitments were required mainly to support the Group's production capacity expansion.

As at 30 June 2017, none of the Group's assets was pledged (30 June 2016: nil).

Employment and remuneration policy

Quality and dedicated staff are our most important assets and are indispensable to our success in the competitive market. As part of our corporate culture, we strive to ensure a strong team spirit among our employees for them to contribute towards our corporate objectives. In achieving the goal, we offer competitive remuneration packages commensurate with the industry level and provide various fringe benefits, including trainings, medical insurance coverage as well as retirement benefits to the employees in Hong Kong and in the PRC. Employees are encouraged to enrol in external professional and technical seminars, and other training programs and courses to update their technical knowledge and skills, enhance their market awareness and improve their business acumen. The Group reviews its human resources and remuneration policies periodically with reference to local legislation, market conditions, industry practice and assessment of the performance of the Group and individual employees. A share option scheme has also been adopted with a primary purpose of motivating our employees to optimize their contributions to the Group and to reward them for their performance and dedication.

As at 30 June 2017, the Group employed a work force of 568 in Hong Kong and in the PRC (31 December 2016: 572). The total salaries and related costs (including Directors' fee) for the Period amounted to approximately RMB11.8 million (2016: RMB21.9 million) (including an one-off share based payment of RMB8.0 million).

Share Option Scheme

A share option scheme (the "Scheme") was adopted by the shareholders of the Company on 19 November 2009 for the primary purpose of providing incentives to eligible participants including directors, employees, supplier of goods and services, consultant, adviser, contractor, business partner or service partner.

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

Grantee(s)/Category of participant(s)	Date of grant	Exercise price (HK$)	Outstanding at 1.1.2017	Granted during the Period	Lapsed/ forfeited during the Period (Note)	Exercised during the Period	Outstanding at 30.6.2017
Zhang Hebin (Director)	9 May 2016	0.263	16,550,000	–	–	–	16,550,000
Employees	18 May 2012	0.71	40,000,000	–	(40,000,000)	–	–
	9 May 2016	0.263	99,300,000	–	–	–	99,300,000
			139,300,000	–	(40,000,000)	–	99,300,000
Total			155,850,000	–	(40,000,000)	–	115,850,000

Note: During the Period, 40,000,000 share options to employees were lapsed.

Please refer to Note 17 to the Condensed Consolidated Financial Statements contained in this interim report for further details of the outstanding share options granted under the Scheme as at the end of the Period.

The maximum number of shares in the Company which may be granted under the Scheme must not exceed 165,584,000 shares (the "Scheme Mandate Limit"), representing 10% of the Company's issued share capital as at 19 November 2009 (being the date on which the Company's shares were first listed on the Stock Exchange).

As at 31 December 2016, 27 February 2017 (being the date of the annual report of the Company for the year ended 31 December 2016) and 30 June 2017:

– the total number of shares available for issue by the Company under the Scheme Mandate Limit was 9,734,000 shares, 9,734,000 shares and 9,734,000 shares respectively, representing approximately 0.48%, 0.48% and 0.48% respectively of the then issued share capital of the Company (that is, 2,013,018,000 shares) as at such dates;

– there were outstanding options attaching subscription rights to subscribe for an aggregate of 155,850,000 shares, 155,850,000 shares and 115,850,000 shares respectively, representing approximately 7.7%, 7.7% and 5.7% respectively of the then and existing issued share capital of the Company (that is, 2,013,018,000 shares).

Directors' and/or chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2017, the interests and short positions of the Directors and/or the chief executive of the Company in the shares, underlying shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(1) Long position in the ordinary shares of HK$0.01 each in the Company

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

Notes:

(1) The letter "L" denotes long position in the shares.

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

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

(4) The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 30 June 2017.

(2) Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise price *(HK$)*	Number of underlying shares subject to the outstanding options	Approximate percentage of shareholding *(Note)*
Mr. Zhang Hebin	9 May 2016	9 May 2016 to 8 May 2021	0.263	16,550,000	0.82%

Note:

The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 30 June 2017.

Save as disclosed above, none of the Directors and/or the chief executive of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2017.

Interests of the substantial shareholders in shares and underlying shares in the Company

As at 30 June 2017, so far as is known to the Directors, the following parties, other than a Director or chief executive of the Company, were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Capacity/Nature of interest	Number of shares	Number of underlying shares subject to outstanding options	Approximate percentage of shareholding *(Note 6)*
Up Mount *(Note 1)*	Beneficial owner	675,582,720		33.56%
Ms. Zhang Min 張敏 *(Note 2)*	Interest of spouse	675,582,720		33.56%
Wing Move *(Note 3)*	Beneficial owner	132,467,200		6.58%
Ms. Luo Cheng Yan 羅成艷 *(Note 4)*	Interest of spouse	132,467,200	16,550,000	7.40%
Clever Growth Limited *(Note 5)*	Beneficial owner	154,558,000		7.68%
Mr. Yan Shaohua 晏紹華	Interest in a controlled corporation *(Note 5)*	157,126,000		7.80%
	Beneficial owner	79,856,000		3.97%
		236,982,000		11.77%

Notes:

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

(2) Ms. Zhang Min is the spouse of Mr. Wang and is therefore deemed to be interested in all the shares and/or underlying shares in the Company held by Mr. Wang (through Up Mount or personally) by virtue of the SFO.

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

(4) Ms. Luo Cheng Yan is the spouse of Mr. Zhang and is therefore deemed to be interested in all the shares and/or underlying shares in the Company held by Mr. Zhang (through Wing Move or personally) by virtue of the SFO.

(5) Clever Growth Limited in a company incorporated in the BVI, and is solely and beneficially owned by Mr. Yan Shaohua. Mr. Yan Shaohua is deemed to be interested in all the shares held by Clever Growth Limited under Part XV of the SFO.

(6) The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 30 June 2017.

All the interests stated above represent long positions. As at 30 June 2017, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

Directors' interests in contracts

No contract of significance in relation to the business of the Group to which any controlling shareholder(s) of the Company or any of its subsidiaries was a party, and/or in which a Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2017 or at any time during the Period.

Sufficiency of public float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this report, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules since the listing of its shares on the Stock Exchange.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Corporate Governance

The Company is committed to fulfilling its responsibilities to shareholders and protecting and enhancing shareholder value through solid corporate governance. It devotes considerable efforts in formulating and formalising best practices. It also exerts its best to ensure optimum transparency and the best quality of disclosures. The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring all businesses are conducted in an honest, ethical and responsible manner and that proper processes to effectively infuse strong ethical principles are in place, executed and are regularly reviewed.

Throughout the Period, the Company had applied the principles in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and complied with the code provisions and certain recommended best practices set out in the CG Code save for the following:

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer ("CEO") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Wang Guangyuan, the chairman of the Board and CEO of the Company, currently performs these two roles. Mr. Wang is responsible for the overall business strategy and development and management of the Group. The Board considers Mr. Wang is able to lead the Board in major business decision making for the Group and enables the Board's decision to be effectively made, which is beneficial to the management and the development of the Group's business. Therefore, Mr. Wang assumes the dual roles of being the chairman of the Board and CEO of the Company notwithstanding the deviation.

Compliance with the model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for directors' securities transactions. All Directors, after specific enquiries by the Company, confirmed their compliance with the required standards set out in the Model Code throughout the Period.

Audit Committee Review

The interim results for the Period are unaudited. The audit committee of the Company (comprised all the independent non-executive Directors) had reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the risk management and internal controls, as well as reviewed the Group's unaudited condensed consolidated interim financial statements for the Period.

Changes to information in respect of Directors

As announced on 2 May 2017, Ms Wang Lijuan retired from her position as executive Director and following her retirement, Ms Wang Lijun was appointed by the Board as executive Director with effect from 2 May 2017.

Acknowledgement

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, investors, business partners and customers for their continued support. I would also like to thank our senior management team and all staff for their unfailing hard work and brilliant contributions in the past years.

Wang Guangyuan
Chairman and Executive Director
25 August 2017

Deloitte.
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TO THE BOARD OF DIRECTORS OF
CHINA TONTINE WINES GROUP LIMITED
中國通天酒業集團有限公司
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Tontine Wines Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Condensed Consolidated Financial Statements

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(unaudited)	(unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**81,044**	178,064
Cost of sales		**(55,775)**	(115,715)
Gross profit		**25,269**	62,349
Other income, gains and losses	*5*	**240**	380
Selling and distribution expenses		**(44,530)**	(18,062)
Administrative expenses		**(23,646)**	(29,356)
Finance costs	*6*	**(64)**	–
Change in fair value of biological assets		**1,559**	1,431
(Loss) profit before tax	*7*	**(41,172)**	16,742
Taxation	*8*	**–**	–
(Loss) profit and total comprehensive (expense) income for the period		**(41,172)**	16,742
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(39,592)**	13,290
Non-controlling interests		**(1,580)**	3,452
		(41,172)	16,742
(Losses) earnings per share	*9*		
Basic (RMB cents)		**(2.0)**	0.7
Diluted (RMB cents)		**(2.0)**	0.7

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Non-current Assets			
Property, plant and equipment	*11*	**147,220**	149,130
Prepaid lease payments		**52,775**	54,138
Biological assets	*12*	**4,246**	2,687
		204,241	205,955
Current Assets			
Inventories		**277,507**	299,860
Trade receivables	*13*	**28,117**	27,407
Deposits and other receivables		**10,239**	14,157
Tax recoverable		**7,742**	5,551
Prepaid lease payments		**2,723**	2,723
Bank balances and cash		**158,013**	181,683
		484,341	531,381
Current Liabilities			
Trade payables	*14*	**3,517**	5,857
Other payables and accruals		**26,548**	25,871
Bank borrowings	*15*	**1,177**	7,096
Tax liabilities		**9,961**	9,961
		41,203	48,785
Net Current Assets		**443,138**	482,596
Total Assets Less Current Liabilities		**647,379**	688,551
Capital and Reserves			
Share capital	*16*	**17,624**	17,624
Reserves		**563,034**	602,626
Equity attributable to owners of the Company		**580,658**	620,250
Non-controlling interests		**66,721**	68,301
Total Equity		**647,379**	688,551

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000* *(Note a)*	Statutory reserves *RMB'000* *(Note b)*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2016 (audited)	**17,624**	**910,541**	**86,360**	**130,634**	**5,899**	**(445,542)**	**705,516**	**74,086**	**779,602**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**13,290**	**13,290**	**3,452**	**16,742**
Recognition of equity-settled share-based payments (see note 17)	**-**	**-**	**-**	**-**	**8,025**	**-**	**8,025**	**-**	**8,025**
At 30 June 2016 (unaudited)	**17,624**	**910,541**	**86,360**	**130,634**	**13,924**	**(432,252)**	**726,831**	**77,538**	**804,369**
At 1 January 2017 (audited)	17,624	910,541	86,360	130,634	13,924	(538,833)	620,250	68,301	688,551
Loss and total comprehensive expense for the period	–	–	–	–	–	(39,592)	(39,592)	(1,580)	(41,172)
Share option lapsed (see note 17)	–	–	–	–	(5,899)	5,899	–	–	–
At 30 June 2017 (unaudited)	17,624	910,541	86,360	130,634	8,025	(572,526)	580,658	66,721	647,379

Notes:

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

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

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(15,953)**	77,515
INVESTING ACTIVITIES		
Refund received from deposits paid for acquisition of property, plant and equipment	**–**	7,343
Interest received	**244**	380
Purchase of property, plant and equipment	**(1,963)**	(1,423)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,719)**	6,300
FINANCING ACTIVITIES		
New bank borrowings raised	**829**	–
Repayment of bank borrowings	**(6,748)**	–
Interest paid	**(64)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(5,983)**	–
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(23,655)**	83,815
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**181,683**	201,942
Effect of foreign exchange rate changes	**(15)**	42
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	**158,013**	285,799

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above new amendments to the HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, but additional disclosure about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. REVENUE

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

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	North-East Region *RMB'000*	Northern Region *RMB'000*	Eastern Region *RMB'000*	South-Central Region *RMB'000*	South-West Region *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2017 (unaudited)						
Segment revenue from external customers	**16,048**	**14,085**	**24,158**	**12,663**	**14,090**	**81,044**
Segment loss	**(4,386)**	**(2,443)**	**(4,581)**	**(2,938)**	**(3,354)**	**(17,702)**
For the six months ended 30 June 2016 (unaudited)						
Segment revenue from external customers	36,736	33,580	47,160	30,732	29,856	178,064
Segment profit	10,700	10,360	10,809	7,284	6,379	45,532

4. SEGMENT INFORMATION – continued

Revenue

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Loss) profit		
Total segment (loss) profit	**(17,702)**	45,532
Unallocated amounts:		
Other corporate income	**244**	380
Other corporate expenses and losses	**(23,714)**	(29,170)
Consolidated (loss) profit before tax	**(41,172)**	16,742

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	North-East Region *RMB'000*	Northern Region *RMB'000*	Eastern Region *RMB'000*	South-Central Region *RMB'000*	South-West Region *RMB'000*	Total *RMB'000*
As at 30 June 2017 (unaudited)						
Segment assets	**7,391**	**5,637**	**11,787**	**4,138**	**6,377**	**35,330**
Segment liabilities	**899**	**716**	**1,193**	**641**	**713**	**4,162**
As at 31 December 2016 (audited)						
Segment assets	3,052	6,930	8,397	5,751	5,762	29,892
Segment liabilities	1,206	1,195	1,769	1,113	1,156	6,439

4. SEGMENT INFORMATION – continued

	At 30 June 2017 (unaudited) *RMB'000*	At 31 December 2016 (audited) *RMB'000*
Assets		
Total segment assets	**35,330**	29,892
Other unallocated amounts		
Property, plant and equipment	**147,220**	149,130
Prepaid lease payments	**55,498**	56,861
Biological assets	**4,246**	2,687
Inventories	**277,507**	299,860
Deposits and other receivables	**3,026**	11,672
Tax recoverable	**7,742**	5,551
Bank balances and cash	**158,013**	181,683
Consolidated total assets	**688,582**	737,336
Liabilities		
Total segment liabilities	**4,162**	6,439
Other unallocated amounts		
Trade payables	**3,517**	5,857
Other payables and accruals	**22,386**	19,432
Bank borrowings	**1,177**	7,096
Tax liabilities	**9,961**	9,961
Consolidated total liabilities	**41,203**	48,785

4. SEGMENT INFORMATION – continued

Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Sweet wines	**47,886**	101,197
Dry wines	**28,103**	66,296
Brandy	**2,839**	2,371
Others	**2,216**	8,200
	81,044	178,064

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Bank interest income	**244**	380
Loss on write-off of property, plant and equipment	**(4)**	–
	240	380

6. FINANCE COSTS

The costs represent the interests incurred on bank borrowings.

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Loss) profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**45,238**	93,853
Write-down of inventories	**804**	843
Depreciation of property, plant and equipment	**5,673**	5,882
Amortisation of prepaid lease payments	**1,362**	1,362
Less: amounts included in property, plant and equipment	**(893)**	(893)
	469	469
Net foreign exchange (gain) loss	**(4)**	72
Share-based payments (included in administrative expenses)	**–**	8,025
Advertising and promotion expenses (included in selling and distribution expenses)	**36,661**	750

8. TAXATION

During the six months ended 30 June 2017 and 2016, the Group had utilised certain unused tax losses to offset against the current tax charges. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

9. (LOSSES) EARNINGS PER SHARE

The calculation of the basic and diluted (losses) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Losses) earnings		
(Loss) profit for the period attributable to owners of the Company and (losses) earnings for the purposes of calculating the basic and diluted (losses) earnings per share	**(39,592)**	13,290

	At 30 June 2017 & 2016 (unaudited) Number of shares
Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted (losses) earnings per share	2,013,018,000

For the six months ended 30 June 2016, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise prices of the options were higher than the average market price per share from the date of beginning period/date of grant to date of period end, as appropriate.

For the six months ended 30 June 2017, the computation of diluted losses per share does not assume the exercise of the Company's share options as the assumed exercise would result in a decrease in losses per share.

10. DIVIDENDS

No dividends were declared and distributed during the six months period ended 30 June 2017. The directors of the Company have determined that no dividend will be paid in respect of the period.

11. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the current interim period are summarised as follows:

	RMB'000
At 1 January 2017 (audited)	149,130
Additions	3,767
Write-off	(4)
Depreciation for the period	(5,673)
At 30 June 2017 (unaudited)	147,220

12. BIOLOGICAL ASSETS

Movements of the vines are summarised as follows during the periods:

	RMB'000
At 1 January 2017 (audited)	2,687
Change in fair value of biological assets	1,559
At 30 June 2017 (unaudited)	4,246
At 1 January 2016 (audited)	2,857
Change in fair value of biological assets	1,431
At 30 June 2016 (unaudited)	4,288

No agricultural produce was harvested for both periods. All grapes are usually harvested annually from August to November of each year. As at the periods ended 30 June 2017 and 2016, the Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of grapevines.

13. TRADE RECEIVABLES

The Group allows a credit period of 30 to 90 days to its trade customers except for the new customers which payment is made when wine products are delivered. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	At 30 June 2017 (unaudited) *RMB'000*	At 31 December 2016 (audited) *RMB'000*
0 – 30 days	12,823	18,274
31 – 60 days	10,470	9,133
61 – 90 days	4,824	–
	28,117	27,407

14. TRADE PAYABLES

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

	At 30 June 2017 (unaudited) *RMB'000*	At 31 December 2016 (audited) *RMB'000*
0 – 30 days	1,240	288
31 – 60 days	2,277	5,569
	3,517	5,857

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

15. BANK BORROWINGS

During the current interim period, the Group had withdrawn borrowings amounting to RMB829,000 (six months ended 30 June 2016: nil) and repaid borrowings amounting to RMB6,748,000 (six months ended 30 June 2016: nil).

16. SHARE CAPITAL

	Number of ordinary shares	Amount
	'000 at HK$0.01 per share	*HK$'000*
Authorised:		
At 1 January 2016 (audited), 30 June 2016 (unaudited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	10,000,000	100,000
Issued:		
At 1 January 2016 (audited), 30 June 2016 (unaudited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	2,013,018	20,131
Shown in the condensed consolidated financial statements at 1 January 2016 (audited), 30 June 2016 (unaudited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	RMB equivalent	17,624

17. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme"), was adopted by the shareholders of the Company on 19 November 2009 for the primary purpose of providing incentives to eligible participants including directors, employees, supplier of goods and services, consultant, adviser, contractor, business partner or service partner.

Date of grant	Number of outstanding options as at 30 June 2017	Exercisable period	Exercise price
18 May 2012	– (31 December 2016: 40,000,000)	18 May 2012 to 17 May 2017	HK$0.71
9 May 2016	115,850,000 (31 December 2016: 115,850,000)	9 May 2016 to 8 May 2021	HK$0.263

The following table discloses movements of total of the Company's share options granted under the Scheme during the current interim period:

Category of participant	Date of grant	Outstanding at 1.1.2017	Granted during the period	Lapsed/ forfeited during the period	Exercised during the period	Outstanding at 30.6.2017
A director	9 May 2016	16,550,000	–	–	–	16,550,000
Employees	18 May 2012	40,000,000	–	(40,000,000)	–	–
	9 May 2016	99,300,000	–	–	–	99,300,000
		139,300,000	–	(40,000,000)	–	99,300,000
Total		155,850,000	–	(40,000,000)	–	115,850,000

During the period ended 30 June 2017, 40,000,000 share options to employees were lapsed.

17. SHARE-BASED PAYMENT TRANSACTIONS – continued

The fair values of the options granted on 9 May 2016 using the Binomial Option Pricing Model were RMB8,025,000. The inputs into the model are as follows:

Date of grant	9 May 2016
Share price as at grant date	HK$0.255
Exercise price	HK$0.263
Expected volatility	48.12%
Risk-free rate	0.96%
Expected dividend yield	0.00%

The Company recognised the total expense of RMB8,025,000 for the period ended 30 June 2016 in relation to share options granted by the Company during that period.

18. CAPITAL COMMITMENTS

The significant capital commitments are as follows:

	At 30 June 2017 (unaudited) ***RMB'000***	At 31 December 2016 (audited) *RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment, development of wine estate and wine cellar contracted for but not provided in the condensed consolidated financial statements	**6,300**	7,686

19. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management for the period was as follows:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Short-term benefits	**3,701**	3,046
Post-employment benefits	**219**	207
Share-based payments	**–**	8,025
	3,920	11,278

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

20. EVENT AFTER THE REPORTING PERIOD

On 21 August 2017, 通化通天酒業有限公司 (Tonghua Tongtian Winery Co., Ltd.), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "MOU") with independent third parties for the possible acquisition of approximately 25.53% equity interests (the "Proposed Transaction") of 北京網酒網電子商務股份有限公司 (Beijing Wangjiu Electronic Commerce Co., Ltd.), a limited liability company established in Beijing, the PRC, being an e-commerce website positioning in wine consumption in the PRC, at the consideration to be mutually agreed.

The Proposed Transaction, if it proceeds, is expected to be subject to, among other things, various conditions to be agreed and the signing of a legally binding definitive agreement by the parties to the MOU. Since the terms and conditions of a legally binding definitive agreement have not yet agreed and signed, it is not practicable to provide a reasonable estimate of the financial effect of the Proposed Transaction up to the date of these condensed consolidated financial statements are authorised for issuance.