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 2020

Contents

Financial Highlights	2
Corporate Information	4
Management Discussion and Analysis	6
Corporate Governance and Other Information	22
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	27
Condensed Consolidated Statement of Financial Position	28
Condensed Consolidated Statement of Changes in Equity	29
Condensed Consolidated Statement of Cash Flows	30
Notes to the Condensed Consolidated Financial Statements	31

Financial Highlights

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profitability data		
Revenue	**56,088**	164,854
Gross (loss) profit	**(21,836)**	42,018
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	**(70,881)**	6,693
(Losses) earnings per share		
– Basic (RMB cents)	**(3.5)**	0.3
– Diluted (RMB cents)	**(3.5)**	0.3

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profitability ratios		
Gross (loss) profit margin	**(38.9%)**	25.5%
Net (loss) profit margin *(Note 1)*	**(126.4%)**	4.1%
Effective tax rate	**–**	–
Return on equity *(Note 2)*	**(13.0%)**	1.2%
Return on assets *(Note 3)*	**(10.2%)**	0.9%
Operating ratios (as a percentage of revenue)		
Advertising and marketing expenses	**31.1%**	1.2%
Staff costs	**1.2%**	6.6%

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.

Financial Highlights

	Six months ended 30 June	
	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets, liabilities and equity data		
Non-current assets	**219,973**	226,922
Current assets	**412,142**	529,102
Current liabilities	**43,016**	92,746
Shareholders' equity	**508,627**	579,508
Non-controlling interests	**589,099**	83,770

	Six months ended 30 June	
	At 30 June 2020	At 31 December 2019
	(Unaudited)	(Audited)
Other key financial ratios and information		
Current ratios *(Note 4)*	**9.6**	5.7
Quick ratios *(Note 5)*	**5.9**	3.5
Net asset value per share (RMB) *(Note 6)*	**0.29**	0.33
Inventory turnover days (days) *(Note 7)*	**471**	373
Trade receivables turnover days (days) *(Note 8)*	**312**	112
Trade payables turnover days (days) *(Note 9)*	**30**	17

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 2020) and 365 days (for the year ended 31 December 2019).

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 2020) and 365 days (for the year ended 31 December 2019).

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 2020) and 365 days (for the year ended 31 December 2019).

10. The financial data of the Company for the year ended 31 December 2019 and information as to its consolidated financial position as at 31 December 2019 are extracted from the Company's annual report dated 13 March 2020.

Corporate Information

EXECUTIVE DIRECTORS
Mr. Wang Guangyuan
Mr. Zhang Hebin
Ms. Wang Lijun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lai Chi Keung, Albert
Dr. Cheng Vincent
Mr. Yang Qiang

COMPANY SECRETARY
Mr. Wong Kwok Kuen

AUDIT COMMITTEE
Dr. Cheng Vincent *(Chairman)*
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

REMUNERATION COMMITTEE
Dr. Cheng Vincent *(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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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 2020: 2,013,018,000 shares
Board lot: 2,000 shares

STOCK CODE

389

FINANCIAL YEAR-END DATE

31 December

Management Discussion and Analysis

INDUSTRY OVERVIEW

Under the adverse impact of the novel coronavirus (COVID-19) since its outbreak at the beginning of the year, the wine industry in China has ushered in an unoptimistic start in 2020. As the epidemic continues to grow into a pandemic (the "pandemic") on a global scale, the sales end has been blocked, the realization efficiency at the pipeline level has become low, and negative effects such as tight cash flow and general decline in market supply and demand have gradually appeared, which have brought serious impact on commercial and economic activities of wine enterprises.

Over the past three years, the wine output in China has shown a clear downward trend. According to the National Bureau of Statistics, the annual output of wine in 2017 was 1,001,000 kiloliters, which shrank to 629,000 kiloliters in 2018, and fell to 451,000 kiloliters in 2019. Under the impact of the pandemic, the wine output and sales suffered a severe setback in the first half of 2020, which further accelerated the downward trend. According to the National Bureau of Statistics, the national wine output from January to June 2020 was 127,000 kiloliters with a cumulative drop of 30.2%.

In respect of imported wine, the spread of the pandemic around the world has brought great impact and uncertainty to the production and transportation of imported wine, and the development of imported wine has significantly cooled off. According to the statistics of liquor import from January to June 2020 released by the Liquor Importers Branch（酒類進口商分會）, in the first half of the year, the national wine import volume was 214,838,000 liters with import value of US$830 million. The cumulative decline in volume and value remained at a level of more than 30%, and its proportion to total volume of liquor imports fell to 49%.

The market share of domestic wine has been continuously impacted by imported wine, resulting in shrinking sales volume and output, and entering a bottleneck period of development. The sharp decline in imported wine due to the outbreak of the pandemic has, to a certain extent, given domestic wine which is in the period of industrial structure adjustment, an opportunity to overtake its competitors. The pandemic coincides with the ongoing trend of liquor consumption differentiation in China, which will help to accelerate the integration and shuffling of the wine industry and promote the branding process, thereby further realizing the trend that only the most competent players can survive and raising the threshold of wine industry.

During the pandemic, the wine industry market has been constantly showing new trends and potential development opportunities. On the one hand, as more younger generation growing up with the Internet and the new "middle class" among the "post-60s" and "post-70s" generation return to their families, and more and more wine consumption is also brought into the family, providing considerable consumption potential for the wine industry. On the other hand, "online customer acquisition" is speeding up to catch up with "traditional customer acquisition", and "online shopping" is vigorously impacting "offline shopping". With the pandemic as a pivot, wine enterprises have begun to plan their next transformation process.

As a double-edged sword, the pandemic has not only brought challenges and pressure to the wine industry, but also provided the wine industry with opportunities to accelerate its integration and adjustment. The cold winter brought about by the pandemic is temporary and will not fundamentally change the basic pattern of wine and consumers' consumption habits, but the emergence of new consumption scenarios it promotes will accelerate the innovation speed of enterprise. The wine industry after the outbreak of the pandemic is more in line with the development requirements of the new era, and will usher in a more positive and healthy development in the future.

FINANCIAL REVIEW

In the first half of 2020, the outbreak of the pandemic has adversely affected the upstream and downstream of the wine industry and the whole terminal retail business, which greatly dampened consumer sentiment, and brought serious impact and challenges to the business operation of the Group, resulting a double decline in the sales volume and revenue of the wine products of the Group.

For the six months ended 30 June 2020, the Group recorded the total revenue of RMB56,088,000. Among which, sweet wine and dry wine remained the major sources of sales revenue, both of which accounted for 88.6% of the total revenue of the Group. The loss and total comprehensive expenses for the period attributable to owners of the Company and non-controlling interests amounted to RMB74,179,000 (corresponding period in 2019: the profit and total comprehensive income for the period attributable to owners of the Company and non-controlling interests: RMB8,754,000). The loss for the period was mainly attributable to: 1) the decline in demand for wine products caused by the pandemic, and the decrease of the Group's revenue and gross margin; 2) the Group's forecast of the future operation of various internal assets and corresponding loss provisions made by the Group; and 3) increase in selling and distribution expenses for brand building, sales and marketing of the products of the Group.

Management Discussion and Analysis

During the period under review, the overall gross loss of the Group amounted to RMB21,836,000. The pandemic in 2020 has greatly affected the golden period of wine sales. The Spring Festival, as the peak of wine consumption, should be the best time for the Group to conduct marketing and brand promotion, but the sudden pandemic has disrupted the normal pace of production and sales. In February, when the pandemic situation was most severe, the Group responded to the government's call for pandemic prevention and stopped production in the whole county. After the pandemic eased in March, the Group resumed work and production, and the operating rate remained at a relatively low level due to insufficient production capacity. Affected by the pandemic situation, wine sales declined significantly in the first half of the year and profits were further reduced due to the allocation of fixed costs, resulting in heavy pressure on the gross profit margin. During the Period, the overall gross loss margin of the Group was 38.9% (the same period in 2019: gross profit margin was 25.5%).

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

	Six months ended 30 June		**Year-on-year change**
	2020	2019	
Overall gross (loss) profit (RMB'000)	**(21,836)**	42,018	–152.0%
Overall gross (loss) profit margin	**(38.9%)**	25.5%	–64.4 percentage points

During the period under review, the Group's selling and distribution expenses amounted to RMB21,971,000, representing a year-on-year increase of 39.0%. Under the impact of the pandemic, offline wine exhibitions were fully affected, and the traditional physical marketing model was severely impacted. The Group was keenly aware of market changes, adjusted marketing strategies in a timely manner, and increased marketing investment. The Group deeply connected users, actively deployed online sales, and strengthened its efforts to develop the "online customer acquisition" model. At the same time, it seized the opportunity of the rise of the "stall economy" and promoted brand promotion through activities such as wine gift promotion gatherings, resulting in the corresponding increase by approximately 793.6% in the advertising and promotion expenses to RMB17,416,000.

During the period under review, the total cost of sales of the Group was RMB77,924,000, representing a year-on-year decrease of 36.6%. Decrease in sales cost was mainly due to the significant shrinkage in sales volume during the period. The major raw materials required for the production of wine products of the Group consist of grape, grape juice, yeast, additives and packaging materials which include bottles, bottle caps, labels, corks and packaging boxes. During the Period, the cost of raw materials of the Group was RMB66,947,000, representing a year-on-year decrease of approximately 29.9%, which accounted for approximately 85.9% of the total cost of sales of the Group.

The following table sets forth the breakdown of the costs required for production by the Group for the six months ended 30 June 2020:

	For the six months ended		
	2020	2019	**Change %**
	(RMB'000)	*(RMB'000)*	
Raw materials	**66,947**	95,553	–29.9%
Production overheads	**4,060**	6,632	–38.8%
Consumption tax and other taxes	**6,917**	20,651	–66.5%
Total cost of sales	**77,924**	122,836	–36.6%

OPERATION REVIEW

In the first half of 2020, the outbreak and continuation of the pandemic has brought severe challenges to the development of the Group. Restrictions on production and life and the pandemic has got the headlines for a very long time, directly discouraging people's consumption demand for wine, and dealing a heavy blow to the golden period of sales in the wine industry after the Spring Festival, which impacted various aspects such as the Company's sales and profit, and market expansion in the first half of the year.

Management Discussion and Analysis

As a leading brand in the wine industry in the PRC, the Group takes this opportunity to continuously strengthen the upgrading of the internal organizational structure, management system and operating mechanism during the pandemic. As wine is a product of social networking feature, the social suspension caused by the pandemic has further restricted traditional channels. After deeply aware of the importance of close integration of online and offline marketing, the Group has accelerated the sorting out of its product structure and actively explored new channels to achieve sales conversion. The Group has increased its advertising and promotion efforts in new media and other ways to accelerate the "Internet", has successfully built new marketing scenarios by new media platform during the Period, and has successfully generated revenue for the Company through live selling on short video platforms and other methods, thereby increasing users' loyalty.

The rise of "street stall economy" concept is popular among the people. With the effective control of the pandemic and the opening of policies in various parts of the mainland China, the street stall economy has become a new driving force for economic recovery and has played an important role in boosting consumption. The government in North-East Region actively encourages and supports the development of street stall economy by organizing and holding a variety of street stall activities. The Group has seized the opportunity to change the passive situation under the pandemic, and achieved the expansion and extension of brand products through activities such as free wine promotion, so as to consolidate the market share of major products. During the Period, the total number of product category of the Group reached 163.

As one of the "Top 10 Chinese Wine Industry Brands", the Group is committed to producing high quality wine, and its product maintained recognition in the industry and the market. In May 2020, the white ice wine under Lingge series produced by the Group were awarded the "2019-2020 Quality Ice Wine Brand" at the 7th China Wine Conference hosted by the Wine and Spirits Sub-Council of China-Europe Association for Technical and Economic Cooperation. This award is another award for the Lingge series products after the Lingge series of "Jiang Xin Arctic Red Ice (2016)" won the silver medal in "The Belt and Road" International Wine Competition in 2019.

Output Volume and Sales

For the six months ended 30 June 2020, the output of all categories of products manufactured by the two production bases of the Group located in Tonghua City, Jilin Province and Baiyanghe, Yantai City, Shandong Province reached a total of 1,980 tonnes.

The Group mainly sells its grape wine products to distributors, who in turn distribute our products to supermarkets, cigarette and liquor specialty stores, food and beverage outlets such as restaurants and hotel restaurants and other third-party retailers or sell and distribute products directly to end consumers and other distributors. In the first half of 2020, as a result of the special situations of the pandemic and changes in consumer preferences, the Group began to gradually use new media platforms to build new marketing scenarios, and generate revenue for the Company by selling goods through livestreaming.

For the six months ended 30 June 2020, the Group's products were sold through 100 distributors located in 20 provinces, 3 autonomous regions and 4 municipalities in China. During the period under review, the Group continued to optimize its sales network, strengthened the standardization management and of distributors，strictly controlled sales and distribution expenses, and at the same time, in response to the special situations of the pandemic, the Group increased subsidies to its distributors for their' sales activities to further enhance their marketing enthusiasm.

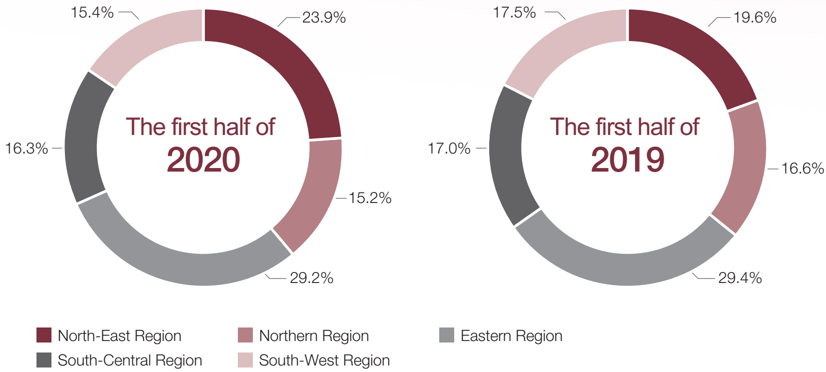
Management Discussion and Analysis

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 breakdown of revenues from different regional markets of the Group in the first half of 2020 and the first half of 2019 is set out below:



Benefiting from the developed economy and culture with per capita income and consumption level of residents ranking to the front domestically, the Eastern Region remained the largest market of the Group. During the period under review, the Group recorded a total revenue of RMB16,396,000 in the Eastern Region market, accounting for 29.2% of the total revenue.

As the second largest market of the Group, the North-East region is also the production base of Tonghua, Jilin. The Group sold more goods and maintained more stable sales volume as a result of the geographical advantage. During the period under review, the revenue in the North-East Region was RMB13,411,000, accounting for 23.9% of the total revenue and representing an increase of 4.3 percentage points as compared with the corresponding period last year.

During the period under review, the sales revenue from the Northern Region was RMB8,519,000, while the sales revenue from the South-Central Region and South-West Region were RMB9,156,000 and RMB8,606,000, respectively. Revenue from each of the above three regions accounted for 15.2%, 16.3% and 15.4% of the total revenue.

BUSINESS INDICATOR REVIEW

Inventory turnover days

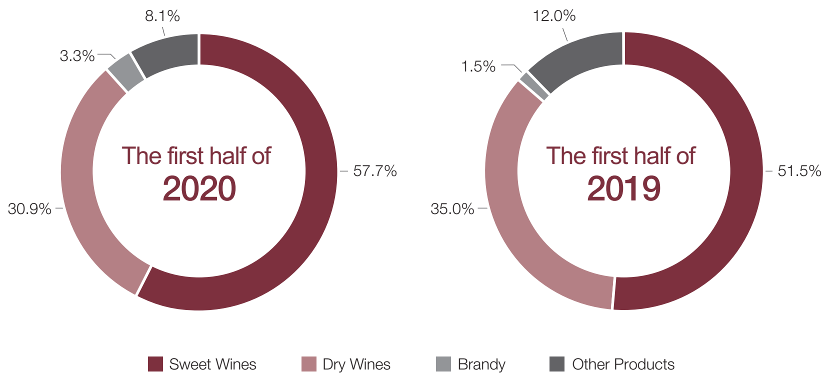
The inventory turnover days of the Group as at the end of the Period stood at 471 days as compared with 388 days in the corresponding period last year, which was mainly due to a relatively longer time for the realisation of inventory during the period under review. The Company had taken corresponding measures to optimise the internal structure so as to speed up the realisation of inventory.

Trade account receivables turnover days

As at 30 June 2020, the trade account receivables turnover days of the Group stood at 312 days and the trade account receivables was RMB83,075,000.

OPERATION ANALYSIS BY PRODUCT

The breakdown of revenue from different wine products of the Group in the first half of 2020 and the first half of 2019 is set out below:



Sweet Wines

Sweet wines contribute the most to the Group's sales and output. For the six months ended 30 June 2020, the Group's revenue from sweet wines amounted to RMB32,364,000, accounting for 57.7% of its total revenue. Due to the impact of the pandemic, the sales volume of this type of product declined as compared with the corresponding period last year. Due to an increase in the average cost per ton, the gross profit from sweet wines fell.

Dry Wines

For the six months ended 30 June 2020, the Group's sales revenue from dry wine products amounted to a total of RMB17,313,000, accounting for 30.9% of the Group's total revenue. Due to the decrease in production in the first half of the year resulting from the impact of the pandemic, coupled with the increase in average selling prices of products, which affected sales, resulting in a year-on-year decrease in sales volume and sales revenue during the period under review.

Brandy

During the period under review, the Group launched the "Apple-type" brandy, which was well received by the market. The sales revenue of brandy products was RMB1,835,000, accounting for 3.3% of the total revenue and represented an increase of 1.7 percentage points over the corresponding period last year. The gross profit margin was 35.5%, representing an increase of 14.3 percentage points from the corresponding period last year. In the first half of the year, this type of product has become the type of product contributing the highest gross profit to the Group instead of its dry wines.

Other products

The Group's other wine products include high-end ice wines and white wines (Yaaru Wine（雅羅白）), and recorded sales revenue of RMB4,576,000 during the Period, representing a substantial decrease over the corresponding period last year as a result of the pandemic, its proportion of total revenue fell to 8.1% from 12.0% in the corresponding period last year. The Group will continue to maintain the mainstream trend of its new marketing model, continuously promote its dominant development path of brand product differentiation with "regionalization" and "specialization", providing consumers more brand-worthy products.

IMPAIRMENT LOSS AND OTHER EXPENSES

During the period under review, (i) the write-off on certain obsolete and slow moving inventories, impairment loss on right-of-use assets and property, plant and equipment and loss in provision for trade receivables amounted to RMB47,424,000 (the same period in 2019: RMB4,577,000) and (ii) increase in selling and distribution expenses for brand building, sales and marketing of the products of the Group amounted to RMB17,416,000 (the same period in 2019: RMB1,949,000).

Management Discussion and Analysis

BUSINESS PROSPECTS

2020 will be a special year for the world under the haze of the pandemic. The pandemic will have more negative impacts on global economic activities in the second half of 2020 than expected, and the pace of economic recovery will be slower than previously envisaged. In June this year, the International Monetary Fund ("IMF") lowered its forecast for global economic growth in its updated report of the World Economic Outlook. It is estimated that the global GDP would shrink by 4.9% in 2020, which is also the most pessimistic forecast by IMF for global economic growth since the Great Depression of the 1930s. In addition, trade frictions, geopolitical frictions and changes in the financial situation will have an impact on economic recovery, and the current situation is fraught with great uncertainty.

In this global battle, the prevention and control measures of China are effective and achieve remarkable success. According to the National Bureau of Statistics, China's GDP fell by 1.6% in the first half of 2020 and grew by 3.2% against the adverse market condition in the second quarter. The IMF indicated in its forecast that the global economy will shrink in general this year, and China will be the only major economy that achieves growth. China's GDP growth rate will be the fastest in the world, at 8.2%. As a positive factor in the pessimistic external environment, to a certain extent, this will undoubtedly introduce substantial growth drivers to boost the recovery and development of the domestic wine industry in the second half of the year.

This pandemic comes with risks and opportunities. On the one hand, the sharp decline in the number of imported wines in the first half of 2020 has greatly alleviated the squeeze on the market share of domestic wines. In response to the prevention and control of the pandemic, the country has continuously strengthened restrictions on imported food, and the development pressure of imported wine in China will be greater in the short term. Grasping opportunities in crises, this may become a favorable catalyst for the development of the domestic wine industry. In view of the more fierce market competition in China, the wine industry will accelerate its integration, and show a trend of weeding out the weak players, providing an opportunity for wine producers to enhance their competitiveness. Top and boutique brands will be more favoured by the market. On the other hand, from the perspective of consumers, the pandemic reflects the improvement of "health awareness", and consumers will pay more attention to health features of their drinking choices, which will benefit the wine industry in the long run. The ginseng wine products which the Group has shelved due to the pandemic will be launched to the market in due course in the second half of the year. Ginseng itself has medicinal value and helps improve human immunity, which certainly will provide a business opportunity for the Group in its future production and sales. It is believed that while expanding its product categories, the Group will further enhance its overall profitability.

As a social consumption for a long time, the pattern of wine consumption had been changed during the pandemic and temporarily replaced by household consumption and personal consumption. The growing awareness of non-social consumption and the further change of consumption scenarios are important market changes in the first half of 2020. The Group accelerates the pace of layout in new channels and new media, and speeds up the completion of the construction of "online + offline" three-dimensional consumption scenarios, especially the layout speed of online consumption scenario, so as to actively respond to new challenges in special times and meet new opportunities for the development of wine enterprises.

Although the pandemic control has achieved a stage victory, with the outbreak of the regional pandemic, the production and operation of the Group in the second half of the year will still be affected by the uncertainty of the pandemic. In the second half of 2020, the Group will keep abreast of the changing trend of domestic wine market consumption with a pragmatic and prudent attitude, and strive to make preparations for greater development at this suspension of pace stage. The Group will further optimize its product structure, explore more brand promotion methods and expand new sales channels, build a new sales circle system and turn the passive into active, thereby reducing operational risks. On the other hand, the Group will continue to further deepen the development path of "Characteristic Production Area + Unique Brand + Distinctive Experience", and on the basis of maintaining the market share of major products, actively explore market segments and develop more personalized products with regional features and customized products targeting corporate customers to expand its product portfolio.

The impact of the pandemic has brought great challenges to the recovery of domestic wines. However, with the further narrowing of the share of imported wines, the increasing attention of local governments to the wine industry and the unchanged general trend of consumption upgrading, the domestic wine industry has the opportunity to gain more long-term development. With the gradual improvement of the national pandemic situation, the consumption demand for wine has been gradually released, and the recovery of the industry has been accelerated, the Group will also settle down, and continue to improve the market in the "post-pandemic period", with a view to providing consumers wine products with better quality.

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 good and healthy 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 2020 (2019 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 and bank borrowing. As at 30 June 2020, the Group's cash and cash equivalents were substantially denominated in RMB and amounted to approximately RMB161,525,000. The Group has sufficient financial resources and a positive cash position to satisfy the working capital requirements of its business development, operations and capital expenditures.

Capital commitments and charges on assets

The Group made capital expenditure commitments of approximately RMB3,843,000 contracted but not provided for in the condensed consolidated financial statements as at 30 June 2020. These commitments were required mainly to support the Group's production capacity expansion.

As at 30 June 2019, the Group's property, plant and equipment of RMB9,887,000 was pledged to secure the bank borrowing granted to the Group. As at 30 June 2020, none of the Group's assets was pledged.

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 2020, the Group employed a work force of 381 in Hong Kong and in the PRC (31 December 2019: 460). The total salaries and related costs (including Directors' fee) for the Period amounted to approximately RMB7,879,000 (2019 corresponding period: RMB12,412,000).

Share Option Schemes

The Company's share option scheme (the "2009 Share Option Scheme") adopted on 19 November 2009 was terminated on 10 May 2019 upon the adoption of a new share option scheme (the "2019 Share Option Scheme") by the Company's shareholders at the annual general meeting held on 10 May 2019, which enables the Company to offer to grant options to subscribe for ordinary shares (the "Shares") of HK$0.01 each in the Company.

Consequent upon its termination, no further options can be granted under the 2009 Share Option Scheme but the subsisting options granted prior to its termination will continue to be valid and exercisable subject to and in accordance with the terms on which they were granted, the provisions of the 2009 Share Option Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively).

During the Period, the movements in the options granted by the Company under the 2009 Share Option Scheme were as follows:

						Number of options					
Category of grantees	Date of grant (dd/mm/yyyy)	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per Share *HK$*	Closing price per Share on date of grant *HK$*	Outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2020
A director	09/05/2016	09/05/2016	09/05/2016 to 08/05/2021	0.263	0.255	16,550,000	–	–	–	–	16,550,000
Employees	09/05/2016	09/05/2016	09/05/2016 to 08/05/2021	0.263	0.255	49,650,000	–	–	–	–	49,650,000
Total						66,200,000	–	–	–	–	66,200,000

During the Period, the movements in the options granted by the Company under the 2019 Share Option Scheme were as follows:

						Number of options					
Category of grantees	Date of grant (dd/mm/yyyy)	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per Share *HK$*	Closing price per Share on date of grant *HK$*	Outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2020
Director(s)	–	–	–	–	–	–	–	–	–	–	–
Employees in aggregate	23/09/2019	24/09/2019	24/09/2019 to 23/09/2020	0.146	0.145	100,000,000	–	–	–	–	100,000,000
Suppliers of goods or services in aggregate	23/09/2019	24/09/2019	24/09/2019 to 23/09/2020	0.146	0.145	80,000,000	–	–	–	–	80,000,000
Other participants in aggregate	23/09/2019	24/09/2019	24/09/2019 to 23/09/2020	0.146	0.145	20,000,000	–	–	–	–	20,000,000
Total						200,000,000	–	–	–	–	200,000,000

The total number of Shares available for issue upon exercise of all outstanding options already granted under the Share Option Schemes is 266,200,000 (2009 Share Option Scheme: 66,200,000 Shares and 2019 Share Option Scheme: 200,000,000 Shares), representing approximately 13.22% of the total number of Shares in issue of the Company as at 30 June 2020.

The maximum number of Shares available for issue upon exercise of options not yet granted under the Share Option Schemes is 1,301,800 Shares (2009 Share Option Scheme: nil Share and 2019 Share Option Scheme: 1,301,800 Shares), representing approximately 0.06% of the total number of Shares in issue of the Company as at 30 June 2020.

Please refer to Note 18 to the Condensed Consolidated Financial Statements contained in this report for further details of the outstanding options granted under the 2009 Share Option Scheme and 2019 Share Option Scheme.

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 2020, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in 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%

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) The percentage of shareholding was calculated on the basis of 2,013,018,000 shares in the Company in issue as at 30 June 2020.

(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 was calculated on the basis of 2,013,018,000 shares in the Company in issue as at 30 June 2020.

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 2020.

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

As at 30 June 2020, 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	Approximate percentage of shareholding
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%
Mr. Yan Shaohua 晏紹華	Beneficial owner	237,582,000	11.81%

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 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) The percentage of shareholding is calculated on the basis of 2,013,018,000 shares in the Company in issue as at 30 June 2020.

All the interests stated above represent long positions. As at 30 June 2020, 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 2020 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 disclosure. 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.

Corporate Governance and Other Information

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 and have not been reviewed by the auditors of the Company.

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.

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
21 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**56,088**	164,854
Cost of sales		**(77,924)**	(122,836)
Gross (loss) profit		**(21,836)**	42,018
Other income, gains and losses	*5*	**(433)**	(129)
Selling and distribution expenses		**(21,971)**	(15,801)
Administrative and the operating expenses		**(19,757)**	(18,429)
Finance costs	*6*	**(854)**	(352)
Impairment loss on property, plant and equipment		**(8,625)**	–
Impairment loss on right-of-use assets		**(2,433)**	–
Change in fair value of biological assets		**1,730**	1,447
(Loss) profit before tax	*7*	**(74,179)**	8,754
Taxation	*8*	**–**	–
(Loss) profit and total comprehensive (expense) income for the period		**(74,179)**	8,754
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(70,881)**	6,693
Non-controlling interests		**(3,298)**	2,061
		(74,179)	8,754
(Losses) earnings per share	*9*		
Basic (RMB cents)		**(3.5)**	0.3
Diluted (RMB cents)		**(3.5)**	0.3

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Non-current Assets			
Property, plant and equipment	*11*	**162,546**	166,486
Right-of-use assets	*12*	**45,370**	49,639
Biological assets	*13*	**4,842**	2,806
Prepayments		**7,215**	7,991
		219,973	226,922
Current Assets			
Inventories		**159,399**	207,984
Trade receivables	*14*	**83,075**	108,969
Deposits and prepayments		**2,592**	4,364
Current tax recoverable		**5,551**	5,551
Pledged bank deposits		**–**	800
Bank and cash balances		**161,525**	201,434
		412,142	529,102
Current Liabilities			
Trade payables	*15*	**12,956**	10,585
Other payables and accruals		**19,604**	31,225
Bank borrowing	*16*	**–**	40,000
Lease liability		**495**	975
Current tax liabilities		**9,961**	9,961
		43,016	92,746
Net Current Assets		**369,126**	436,356
NET ASSETS		**589,099**	663,278
Capital and Reserves			
Share capital	*17*	**17,624**	17,624
Reserves		**491,003**	561,884
Equity attributable to owners of the Company		**508,627**	579,508
Non-controlling interests		**80,472**	83,770
Total Equity		**589,099**	663,278

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2019 (Audited)	17,624	910,541	86,360	132,721	4,617	(575,298)	576,565	78,440	655,005
Profit and total comprehensive income for the period	–	–	–	–	–	6,693	6,693	2,061	8,754
At 30 June 2019 (Unaudited)	17,624	910,541	86,360	132,721	4,617	(568,605)	583,258	80,501	663,759
At 1 January 2020 (Audited)	17,624	910,541	86,360	135,088	8,373	(578,478)	579,508	83,770	663,278
Loss and total comprehensive expense for the period	–	–	–	–	–	(70,881)	(70,881)	(3,298)	(74,179)
At 30 June 2020 (Unaudited)	17,624	910,541	86,360	135,088	8,373	(649,359)	508,627	80,472	589,099

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 2020

	2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**8,793**	28,873
INVESTING ACTIVITIES		
Decrease in pledged bank deposits	**800**	–
Interest received	**177**	339
Purchase of biological assets, right-of-use assets and property, plant and equipment	**(8,322)**	(78)
Proceeds from disposal of property, plant and equipment	**–**	34
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(7,345)**	295
FINANCING ACTIVITIES		
Repayment of lease liability	**(503)**	–
Proceeds from bank borrowing	**–**	40,000
Repayment of bank borrowing	**(40,000)**	–
Interest paid	**(854)**	(352)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(41,357)**	39,648
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(39,909)**	68,816
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**201,434**	152,853
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank and cash balances	**161,525**	221,669

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition to the above amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, are effective for annual periods beginning on or after 1 January 2020.

The application of the above amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

The Group manufactures and sells wine products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to products.

4. SEGMENT INFORMATION

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

	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 six months ended 30 June 2020 (Unaudited)						
Segment revenue from external customers	**13,411**	**8,519**	**16,396**	**9,156**	**8,606**	**56,088**
Segment loss	**(10,828)**	**(3,460)**	**(4,635)**	**(4,647)**	**(2,758)**	**(26,328)**
For the six months ended 30 June 2019 (Unaudited)						
Segment revenue from external customers	32,387	27,224	48,411	28,004	28,828	164,854
Segment profit	4,967	4,041	6,927	3,718	2,565	22,218

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total segment (loss) profit	**(26,328)**	22,218
Unallocated amounts:		
Change in fair value of biological assets	**1,730**	1,447
Finance costs	**(854)**	(352)
Other corporate income	**201**	339
Other corporate expenses and losses	**(48,928)**	(14,898)
Consolidated (loss) profit before tax	**(74,179)**	8,754

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

	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 30 June 2020 (Unaudited)						
Segment assets	**11,798**	**13,209**	**29,430**	**15,404**	**13,234**	**83,075**
Segment liabilities	**490**	**312**	**599**	**335**	**315**	**2,051**
As at 31 December 2019 (Audited)						
Segment assets	16,185	15,897	41,975	13,450	21,462	108,969
Segment liabilities	2,739	1,986	4,118	2,040	2,308	13,191

4. SEGMENT INFORMATION – continued

Revenue – continued

	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Assets		
Total segment assets	**83,075**	108,969
Other unallocated amounts		
Property, plant and equipment	**162,546**	166,486
Right-of-use assets	**45,370**	49,639
Biological assets	**4,842**	2,806
Inventories	**159,399**	207,984
Deposits and prepayments	**9,807**	12,355
Current tax recoverable	**5,551**	5,551
Pledged bank deposits	**–**	800
Bank and cash balances	**161,525**	201,434
Consolidated total assets	**632,115**	756,024
Liabilities		
Total segment liabilities	**2,051**	13,191
Other unallocated amounts		
Trade payables	**12,956**	10,585
Other payables and accruals	**17,553**	18,034
Bank borrowing	**–**	40,000
Lease liability	**495**	975
Current tax liabilities	**9,961**	9,961
Consolidated total liabilities	**43,016**	92,746

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sweet wines	**32,364**	84,880
Dry wines	**17,313**	57,626
Brandy	**1,835**	2,599
Others	**4,576**	19,749
	56,088	164,854

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Bank interest income	**177**	339
Loss on disposal of property, plant and equipment	**–**	(80)
Exchange loss	**(634)**	(388)
Others	**24**	–
	(433)	(129)

6. FINANCE COSTS

The costs represent the interest on bank borrowing.

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss) profit before tax has been arrived at after (crediting) charging:		
Cost of inventories recognised as an expense	**39,551**	109,564
Write-off of inventories (included in cost of sales)	**31,456**	4,038
Loss allowance for trade receivables	**4,910**	539
Impairment loss on property, plant and equipment	**8,625**	–
Impairment loss on right-of-use-assets	**2,433**	–
Depreciation of property, plant and equipment	**5,306**	4,523
Depreciation of right-of-use assets	**1,836**	1,362
Less: amounts included in property, plant and equipment	**(893)**	(893)
	943	469
Advertising and promotion expenses (included in selling and distribution expenses)	**17,416**	1,949

8. TAXATION

During the six months ended 30 June 2020 and 2019, 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 earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Losses) earnings		
(Losses) earnings 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	**(70,881)**	6,693

	At 30 June 2020 & 2019 (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 2019, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of the options was higher than the average market price per share during the six months ended 30 June 2019.

For the six months ended 30 June 2020, 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 dividend was paid or proposed for ordinary shareholders of the Company during the periods ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting 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 2020 (Audited)	166,486
Additions	9,991
Depreciation for the period	(5,306)
Impairment loss recognised	(8,625)
At 30 June 2020 (Unaudited)	162,546

12. RIGHT-OF-USE ASSETS

The movements in right-of-use assets during the current interim period are summarised as follows:

	RMB'000
At 1 January 2020 (Audited)	49,639
Depreciation for the period	(1,836)
Impairment loss recognised	(2,433)
At 30 June 2020 (Unaudited)	45,370

13. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants are summarised as follows during the current interim periods:

	RMB'000
At 1 January 2020 (Audited)	2,806
Change in fair value of biological assets	1,730
Increase due to cultivation	306
At 30 June 2020 (Unaudited)	4,842

No agricultural produce was harvested for the current interim period. All grapes are usually harvested annually from August to November of each year. As at the period ended 30 June 2020, the Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of grapevines.

14. 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 net of impairment loss allowance presented based on the invoice date at the end of the reporting period.

	At 30 June 2020 (Unaudited) ***RMB'000***	At 31 December 2019 (Audited) *RMB'000*
0—30 days	**4,152**	33,724
31—60 days	**5,797**	36,979
61—90 days	**7,271**	38,266
91—180 days	**27,328**	–
181—365 days	**38,527**	–
	83,075	108,969

14. TRADE RECEIVABLES – continued

Reconciliation of loss allowance for trade receivables:

	RMB'000
Balance at 1 January 2020	936
Increase in loss allowance for the period	4,910
Balance at 30 June 2020	5,846

15. 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 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
0 – 30 days	**393**	1,910
31 – 60 days	**2,986**	8,675
61 — 90 days	**866**	–
91 — 180 days	**7,445**	–
181 — 365 days	**1,266**	–
	12,956	10,585

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

16. BANK BORROWING

	At 30 June 2020 (Audited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Secured and guaranteed bank borrowing	–	40,000
Carrying amount repayable within one year	–	40,000
	–	40,000
Amount due within one year shown under current liabilities	–	40,000

The bank borrowing amounting to RMB40,000,000 raised is denominated in Renminbi and carries interest at variable rate of the loan prime rate plus 0.645% of the National Interbank Loan Center. During the period ended 30 June 2020, the bank borrowing was repaid.

17. SHARE CAPITAL

	Number of ordinary shares	Amount
	'000 at HK$0.01 per share	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 (2019: HK$0.01) each		
At 1 January 2019 (Audited), 30 June 2019 (Unaudited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	10,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 (2019: HK$0.01) each		
At 1 January 2019 (Audited), 30 June 2019 (Unaudited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	2,013,018	20,131

	RMB'000
Shown in the condensed consolidated financial statements at 1 January 2019 (Audited), 30 June 2019 (Unaudited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	17,624

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Old Scheme") adopted by the shareholders of the Company on 19 November 2009 was terminated on 10 May 2019 upon the adoption of a new share option scheme (the "New Scheme") by the Company's shareholders on 10 May 2019 for the primary purpose of enabling the Company to grant options to subscribe for ordinary shares of HK$0.01 each in the Company to eligible participants (including directors, employees, suppliers of goods and services, consultants, advisers, contractors, business and service partners of the Group) to recognize and reward their contributions and/or as incentives for retaining them for their contribution or potential contribution to the Group for its long-term growth and development.

The outstanding share options of the Company as at 31 December 2019 (note) and 30 June 2020 are set out below:

Date of grant	Number of outstanding options as at 31 December 2019 and 30 June 2020	Exercisable period	Exercise price
9 May 2016	66,200,000	9 May 2016 to 8 May 2021	HK$0.263
23 September 2019	200,000,000	24 September 2019 to 23 September 2020	HK$0.146

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

Note:

No share options were exercised and lapsed during the year ended 31 December 2019. The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2019 was HK$0.175. The share options outstanding at the end of 2019 have a weighted average remaining contractual life of 0.89 year and the exercise prices range from HK$0.146 to HK$0.263. In 2019, an aggregate of 200,000,000 share options were granted on 23 September 2019. The estimated fair values of the share options granted on those dates were approximately HK$4,137,000 (approximately RMB3,756,000).

The fair value of the share options granted on 23 September 2019 was calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

	2019 *RMB'000*
Closing price as at grant date	0.145
Weighted average exercise price	0.146
Expected volatility	0.3472
Expected life	1 year
Risk free rate	0.0175
Expected dividend	–

The fair value of the share options granted on 23 September 2019 to each of the following categories of grantees is set out below:

		2019
	Number of share options granted	*RMB'000*
Employees (in aggregate)	100,000,000	1,878
Suppliers of goods or services (in aggregate)	80,000,000	1,502
Other participants (in aggregate)	20,000,000	376
		3,756

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

The following table discloses the movements of the share options granted by the Company under the Old Scheme and the New Scheme during the six months ended 30 June 2020:

	Number of share options
Outstanding at 1 January 2020	266,200,000
Granted during the period	–
Lapsed/cancelled during the period	–
Exercised during the period	–
Outstanding at 30 June 2020	266,200,000

19. CAPITAL COMMITMENTS

The significant capital commitments are as follows:

	At 30 June 2020 (Unaudited) ***RMB'000***	At 31 December 2019 (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	**3,843**	5,004

20. 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term benefits	**2,088**	2,223
Post-employment benefits	**34**	154
	2,122	2,377

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