



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
2021

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Financial Highlights

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profitability data		
Revenue	64,492	56,088
Gross profit (loss)	18,117	(21,836)
Loss and total comprehensive expense for the period attributable to owners of the Company	(7,908)	(70,881)
Losses per share		
– Basic (RMB cents)	(0.39)	(3.52)
– Diluted (RMB cents)	(0.39)	(3.52)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profitability ratios		
Gross profit (loss) margin	28.1%	(38.9%)
Net loss margin (Note 1)	(12.3%)	(126.4%)
Effective tax rate	0.06	–
Return on equity (Note 2)	(1.9%)	(13.0%)
Return on assets (Note 3)	(1.4%)	(10.2%)
Operating ratios (as a percentage of revenue)		
Advertising and marketing expenses	–	31.1%
Staff costs	10.9%	11.2%

Notes:

1. Net loss margin is equal to the loss and total comprehensive expense for the period attributable to owners of the Company divided by revenue.
2. Return on equity is equal to the loss and total comprehensive expense 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 and total comprehensive expense 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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Assets, liabilities and equity data		
Non-current assets	185,830	190,920
Current assets	375,925	349,283
Current liabilities	37,798	42,930
Non-current liabilities	35,525	2,380
Shareholders' equity	409,440	417,348
Non-controlling interests	78,992	77,545

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Other key financial ratios and information		
Current ratios (<i>Note 4</i>)	9.9	8.1
Quick ratios (<i>Note 5</i>)	4.3	4.8
Gearing ratio (<i>Note 6</i>)	0.06	–
Net asset value per share (RMB) (<i>Note 7</i>)	0.24	0.25
Inventory turnover days (<i>Note 8</i>)	829	408
Trade receivables turnover days (<i>Note 9</i>)	194	296
Trade payables turnover days (<i>Note 10</i>)	24	18

Notes:

- Current ratio equals current assets divided by current liabilities as at the end of each period/year.
- Quick ratio equals current assets minus inventory, divided by current liabilities as at the end of each period/year.
- Gearing ratio equals the debts incurred in the ordinary course of business divided by total assets as at the end of each period/year.
- 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.
- 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 181 days (for the six months ended 30 June 2021) and 365 days (for the year ended 31 December 2020).
- 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 181 days (for the six months ended 30 June 2021) and 365 days (for the year ended 31 December 2020).
- 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 181 days (for the six months ended 30 June 2021) and 365 days (for the year ended 31 December 2020).
- The financial data of the Company for the year ended 31 December 2020 and information as to its consolidated financial position as at 31 December 2020 are extracted from the Company's annual report dated 29 March 2021.



Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheng Vincent
Mr. Lai Chi Keung, Albert
Mr. Yang Qiang

COMPANY SECRETARY

Ms. Chan Shuk Man Lora

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
Ms. Chan Shuk Man Lora

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Corporate Information

LEGAL ADVISERS

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5th Floor, Chung Nam Building
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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 2021:
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

In 2021, the impact of the pandemic will continue, and the global business environment is still facing many negative impacts. With the remarkable results achieved by China in pandemic prevention and control, the wine market in China has achieved positive growth in the first half of 2021. According to the national output data of winemaking industry from January to June 2021 of China Alcoholic Drinks Association (中國酒業協會), the total winemaking output of above-set-scale enterprises in national winemaking industry was 28,342,400 kiloliters, representing a year-on-year increase of 6.80%. Specifically, the output of wine was 135,700 kiloliters, representing a year-on-year increase of 1.24%.¹ Compared with the “slumps” in revenues generally experienced by listed wine companies last year, most companies have turned around the “negative growth” condition in the first half of this year and have begun to enter the track where both profits and revenue increase.

In the first half of the year, the wine output in China, revenue, and profits have recorded encouraging performance. In contrast, imported wine faced tremendous pressure of “double reduction in sales and volume” during the same period. The haze of the pandemic around the world continues to affect the production and transportation of major wine-producing countries, with further decrease in volume and amounts of import. According to data released by the General Administration of Customs of the PRC, China’s wine import volume from January to June 2021 was 212.94 million liters, representing a year-on-year decrease of 1.5%; and the import amount was US\$821.922 million, representing a year-on-year decrease of 1.6%.²

¹ https://mp.weixin.qq.com/s?__biz=MzA5MzAxMTIxMg==&mid=2649716417&idx=1&sn=b89d23a7c002d9432f02a590d5959e&chksm=887fbaa2bf0833b4e716bc199962d7e478462c72752bb4c4a0e3e234e3903a18eaea117ed33c&mpshare=1&scene=1&srcid=0823n1EaHaZrhOWxZm8zo2kB&sharer_sharetime=1629701696223&sharer_shareid=806ed9ef66905f06f227407128f0a4cf&exportkey=ATmY3Bm%2FFNVv5jyzOZSlrjs%3D&pass_ticket=h0ll5fSqYn1oltJboQvjKrK%2BOxfM5%2Btlja1sPfd2E1E0ycQQO29XCQqi%2BsFC14CXD&wx_header=0#rd

² <https://ju.ifeng.com/c/88h262rsl87>

Management Discussion and Analysis

In addition, imported wine has also experienced heavy blow at policy level. The market share of Australia, along with France and Chile as China's top three sources of wine imports for a long time, has contracted since the anti-dumping and countervailing investigations initiated in August of last year. In March 2021, the Ministry of Commerce of the PRC issued a final ruling announcement. It is determined that there is dumping of imported wines originating from Australia, and it is decided to impose anti-dumping duties on imported wines originating from Australia from 28 March 2021. So far, Australia has lost its absolute competitiveness in the wine market in China. Affected by the combined effects of anti-dumping duties and the pandemic, Australia's wine exports to China in the first half of this year have further plummeted in terms of volume and amounts.

The entry into force of the anti-dumping resolution effectively safeguarded market fairness. The rapid cooling of imported wine has created good development opportunities for the wine industry in China, and has therefore brought deep differentiation in market consumption, representing the best time for domestic wines to enter into self-transformation and make plan for long-term layout. Meanwhile, the all-round rise of the national trend has led to an unprecedented upsurge of attention for domestic products. Statistics show that the market attention of Chinese brands and overseas brands is 75% and 25% respectively in 2021.³ Newer and better domestic products are reshaping consumers' perception. The market wave of "new national trends" and "new domestic products" provides a "comfortable" market environment for external sales of Chinese wines. Domestic wine is undoubtedly ushering in a period of good opportunities for development, and the reshuffle and integration of the industry has further accelerated. With the increase in market concentration, the channels will also be subject to change or differentiation from time to time. Products that simply rely on low prices to seize the market share will gradually be eliminated, the market will further focus on brands, and the advantage of brand effect will be enlarged.

³ https://news.gmw.cn/2021-05/11/content_34833780.htm



Management Discussion and Analysis

With the improvement of people's living standards, China has become a major wine consumer. According to the "14th Five-Year Plan" Development Guide for the Chinese Alcohol Beverage Industry (《中國酒業「十四五」發展指導意見》) issued by the China Alcoholic Drinks Association (中國酒業協會), it is estimated that by 2025, the wine output of China will reach 700,000 kiloliters, representing an increase of 75.0% as compared with that by the end of the "13th Five-Year Plan", with an average annual increase of 11.8%. The sales revenue will reach RMB20.0 billion, representing an increase of 66.7% as compared with that by the end of the "13th Five-Year Plan", with an average annual increase of 10.8%. Profits of RMB4.0 billion will be achieved, representing an increase of 300.0% as compared with that by the end of the "13th Five-Year Plan", with an average annual increase of 32.0%⁴. With the rise of the young mainstream consumer group of millennials, China's consumption structure is also undergoing a new round of upgrades and changes. Consumers are paying more attention to brand quality, and more high-quality and high-value wine brands are favored by consumers. Under the international and domestic "dual cycle" pattern, and with favorable opportunities for the development of the industry, it is believed that companies that accurately grasp changes in consumers' demand and give priority to the blessing of brand advantages are bound to usher in an inflection point of development sooner and enter a fast-rising track.

FINANCIAL REVIEW

In the first half of 2021, although the continuous outbreak of the novel coronavirus (COVID-19) pandemic has affected the upstream and downstream of the wine industry and the whole terminal retail business to different degrees, improved overall economic environment and increased consumer awareness have positive impact on the Group's business performance during the period under review.

⁴ <https://www.weihengag.com/home/article/detail/id/10885.html>

Management Discussion and Analysis

For the six months ended 30 June 2021, the Group recorded the total revenue of RMB64,492,000, representing an increase of approximately 15.0% as compared with the corresponding period of last year. Among which, sweet wine and dry wine remained the major sources of sales revenue, accounting for 87.4% of the total revenue of the Group in aggregate. The loss and total comprehensive expense for the period attributable to owners of the Company amounted to RMB7,908,000. Overall product sales of the Group were substantially the same as the corresponding period of last year. However, the loss decreased significantly by approximately 88.8% as compared with the corresponding period of last year resulting from significant year-on-year decrease in the cost of sales. During the period under review, the gross profit of the Group amounted to RMB18,117,000 (corresponding period of last year: gross loss of RMB21,836,000). During the Period, the Group achieved an overall gross profit margin of 28.1% (corresponding period of 2020: gross loss margin of 38.9%).

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

	Six months ended 30 June		Year-on-year change
	2021	2020	
Overall gross profit/(loss) (RMB'000)	18,117	(21,836)	N/A
Overall gross profit/(loss) margin	28.1%	(38.9%)	N/A

During the period under review, the selling and distribution expenses amounted to RMB4,802,000, representing a decrease of 78.1% as compared with the corresponding period of last year. The Group adjusted its marketing strategy in a timely manner to meet the changing market conditions. The Group actively participated in various offline wine exhibitions, and further enhanced our brand awareness and explored new development opportunities by participating in large-scale events such as the China Food and Drinks Fair (Spring Session) (春季糖酒會) and the First China International Products Expo. The Group increased its marketing efforts in new media channels according to prevailing conditions, and no effort was made in advertising and marketing on traditional media during the Period.

Management Discussion and Analysis

During the period under review, the total cost of sales of the Group was RMB46,375,000, representing a year-on-year decrease of 40.5%, which was mainly due to the fact that the Group did not make any provision for impairment of inventories (included in cost of sales) during the Period (impairment provision of RMB31,456,000 was made for the same period in 2020). The major raw materials required for the production of wines 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 RMB36,298,000, representing a year-on-year decrease of approximately 45.8%, which accounted for approximately 78.3% 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 2021:

	For the six months ended 30 June		
	2021 (RMB'000)	2020 (RMB'000)	Change %
Total cost of raw materials	36,298	66,947	-45.8%
Production overheads	2,477	4,060	-39.0%
Consumption tax and other taxes	7,600	6,917	9.9%
Total cost of sales	46,375	77,924	-40.5%

Management Discussion and Analysis

OPERATION REVIEW

In the context of “normalization” of the continuous outbreak of the pandemic, the Group has never stopped moving forward. As a leading brand in the wine industry, the Group continuously strengthened the upgrade of its internal organizational structure, management system and operating mechanism, and continued to optimize corporate benefits from strategic deployment to operational management. Facing the continued pressure on imported wines and opportunities arising from the rise of domestic products, the Group fully seized such opportunities to make a long-term strategic transformation, so as to achieve overtaking in corners.

Last year, the Group successfully reached strategic cooperation with AntChain and 58 Youpin (58 優品), and took the lead in moving towards “digital” transformation. Through forward-looking strategic layout, the Group actively implemented digital marketing to break through bottlenecks by scientific and technological means, continued to bring consumers a better consumer experience, and brought new momentum to the development of the wine industry. The Group strove to build a diversified consumption system to promote the development of the Company in a more stable and healthy direction.

In the first half of the year, the Group continued to diversify its product categories and launched 3 new products, including the commencement of mass production of ginseng wine. During the period under review, the total number of products of the Group was 118.

As one of the “Top 10 Chinese Wine Industry Brands”, the Group is committed to producing high quality wine and maintained recognition in the market, and was awarded numerous honors in international authoritative wine competitions. In May 2021, Tontine Wines’s “Minus Nine Degrees • Tongtian White Ice Wine 2016 (Vidal) (零下九度 • 通天白冰葡萄酒2016(威代爾))” won the silver medal in the internationally renowned wine competition– IWSC (International Wine and Spirit Competition) with a high score of 90 points. In June 2021, the Group’s “Snow Aromatic Organic Mountain Wine” (看雪尋梅 • 有機山葡萄酒) won a gold award at the Spring Edition of the 13th International PAR Organic Wine Award with a score of 93 points, the highest score in the Gold Award Category in the China region, demonstrating the strength of Chinese organic wine to the world. The international influence and market share of domestic wines are increasing day by day.



Management Discussion and Analysis

Output Volume and Sales

For the six months ended 30 June 2021, the output of all categories of products manufactured by the two production bases of the Group located in Tonghua City, Jilin Province and Baiyanghe, Shandong Province reached a total of 2,414 tonnes. Specifically, the output of the Baiyanghe production line increased by 48.0% year-on-year, mainly due to gradual resumption of normal production and operations of the production line in the first half of this year, while it was in a state of suspension for most of the time in the first half of last year as affected by the pandemic.

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 2021, the Group continued to generate revenue for the Company through offline traditional models such as China Food and Drinks Fair (糖酒會) and new marketing scenarios built by using new media platforms.

For the six months ended 30 June 2021, the Group's products were sold through 90 distributors located in 20 provinces, 3 autonomous regions and 4 direct controlled municipalities in China. During the period under review, the Group strictly controlled its selling and distribution expenses, strengthened the standardization management of distributors, and continued to optimize its sales network.

Management Discussion and Analysis

Production base and distribution network in 2021



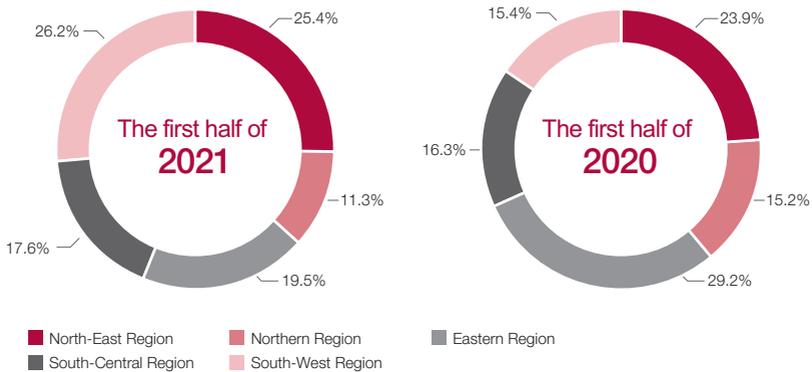
Notes:

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.

Management Discussion and Analysis

Regional market performance

The breakdown of revenues from different regional markets of the Group in 2021 and 2020 is set out below:



During the period under review, the South-West Region, which was less affected by the pandemic, rose to become the Group's first largest market. During the period under review, its revenue was RMB16,884,000, accounting for 26.2% of the total revenue and representing an increase of 10.8 percentage points as compared with the corresponding period of last year.

As the second largest market of the Group, the North-East region is also the production base of Tonghua, Jilin Province. The Group sold more goods and maintained more stable sales volume as a result of the geographical advantage, and made more promotion efforts as compared with other regions, during the period of continuous pandemic. During the period under review, its revenue was RMB16,371,000, accounting for 25.4% of the total revenue and representing an increase of 1.5 percentage points as compared with the corresponding period of last year.

Due to the continuous pandemic, the Eastern Region, which accounted for the largest market share of the Group in prior years, fell to the third largest market. During the period under review, the Group recorded a total revenue of RMB12,565,000 in the Eastern Region market, accounting for 19.5% of the total revenue and representing a decrease of 9.8 percentage points as compared with the corresponding period of last year.

Management Discussion and Analysis

The sales revenue from the South-Central Region was RMB11,359,000, accounting for 17.6% of the total revenue. During the period under review, the sales revenue from the Northern Region was RMB7,313,000, accounting for 11.3% of the total revenue.

BUSINESS INDICATOR REVIEW

Inventory turnover days

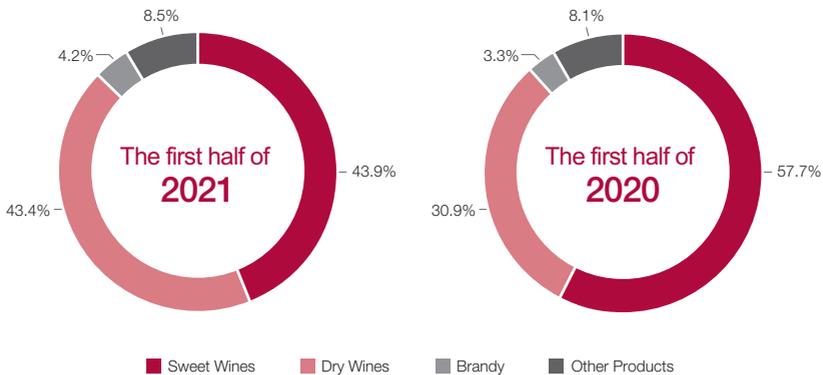
The inventory turnover days of the Group as at the end of the Period stood at approximately 829 days as compared with 471 days in the corresponding period of last year, which was mainly due to the substantial decrease in cost of sales as compared to the same period in 2020.

Trade account receivables turnover days

As at 30 June 2021, the trade account receivables turnover days of the Group stood at 194 days and the trade account receivables was RMB72,411,000.

OPERATION ANALYSIS BY PRODUCT

The breakdown of revenue from different wine products of the Group in 2021 and 2020 is set out below:





Management Discussion and Analysis

Sweet Wines

As of 30 June 2021, the Group's sales revenue from sweet wine products amounted to RMB28,334,000, accounting for 43.9% of its total revenue and became the product that contributed the most to the Group's sales during the period under review. The gross profit margin of this type of product was 22.2%.

Dry Wines

As of 30 June 2021, the Group's sales revenue from dry wine products amounted to a total of RMB28,017,000, accounting for 43.4% of the Group's total revenue and representing an increase of 12.6 percentage points as compared with the corresponding period of last year. The gross profit margin was 35.1%, representing an increase of 32.2 percentage points as compared with the corresponding period of last year.

Brandy

The Group launched the "Apple-type" brandy, which has been well received by the market. During the period under review, the sales revenue of brandy products was RMB2,700,000, accounting for 4.2% of the total revenue. The gross profit margin was 14.1%.

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 RMB5,441,000 during the Period, accounting for 8.4% of the total revenue. The Group made full use of Tonghua government's policy of encouraging the enlargement of the advantages of mountain grapes to reduce the production cost of ice wine and enhance the competitive advantage of products. In addition, in order to cater to the health consideration of the public in choosing wines, the Group developed and launched the ginseng wine with excellent healthcare effects through soaking ginseng in the popular Yaaru Wine (雅羅白) product, which has been overall recognized by the public. It has been well recognized by customers once it was launched. During the Period, the gross profit margin of Yaaru Wine (雅羅白) was 37.9%, making it the product that contributed the most to the Group's gross profit margin.

Management Discussion and Analysis

BUSINESS PROSPECTS

Due to the remarkable achievements in the fight against the pandemic, the economic performance of the PRC in the first half of the year was prominent. According to data of the National Bureau of Statistics, the gross domestic product in the first half of the year increased by 12.7% year-on-year. Specifically, the gross domestic product in the second quarter increased by 7.9% year-on-year, and the month-on-month increase was 1.3%, with an average growth rate of 5.5% for the two years⁵. The economy of the PRC continued to recover steadily in the first half of the year, and its economic development showed a trend of consolidation and improvement in a stable manner. The endogenous driving force of the PRC economy as a whole continues to strengthen, and market players become more dynamic, providing strong support for consumption.

Due to the impact of the COVID-19 pandemic, consumers' overseas travel and overseas commodity imports are both restricted, which has created a rare window of development for the domestic consumer market. Under the positive catalysis of the double-edged sword of the pandemic, in-depth interaction between consumers and brands and "new retail" rose rapidly. According to data released by the National Bureau of Statistics, online retail sales have increased by an average of 15% in two years, and its proportion has continued to increase⁶. Upgraded consumer goods are still growing rapidly, and new business formats and new models continue to grow and expand, creating a good environment for external consumption.

Expanded consumption power, increased consumption demand and diversified marketing channels have jointly facilitated the emergence of new consumption. The consumption of the public is no longer limited to satisfying life needs, but also pursuing the satisfaction of lifestyle and cultural attitudes. With the popularity of the TV series "Minning Town (《山海情》)", a wave of domestic wine consumption has been set off. Combined with the rising popularity of domestic products, the Group has gradually shifted from a product-centric enterprise to a market and consumption-centric enterprise to create a wine culture system with characteristics of Tontine brand, adapted to the rapid changes in market structure, improved the industry homogeneity, stabilized the path of differentiation and enhanced the added value of products.

⁵ http://www.gov.cn/xinwen/2021-08/06/content_5629850.htm

⁶ https://news.stcn.com/sd/202107/t20210715_3441351.html



Management Discussion and Analysis

The expansion of the new middle class will drive the increase in the volume of high-end brand wines. While continuously improving the brand benefits, the Group has keenly captured the changes in consumption scenarios brought about by the pandemic, actively constructed “online + offline” three-dimensional consumption scenarios, and accelerated the research and development of new products to enrich the types of health products in responding to the trend of rising proportion of household consumption and self-drinking consumption, making wine drinking more popular and family-oriented. Meanwhile, the Group has insight into the consumption characteristics of the younger consumer groups. On the basis of fully exploring new cultures and new social platforms, we should seize this group of “new users” who emphasize self-expression, diversified aesthetics, and diverse needs to create characterized wine brands under the new era and new consumption.

In recent years, the high-quality development process of the wine industry from quantitative change to qualitative change during industrial integration also reflects consumers’ need to pursue rational and healthy consumption. Coupled with the impact of the pandemic, consumers’ health awareness has further increased. In the “new health” era after the pandemic, the Group strengthened its layout in healthy alcohol products in deepening the development path of “Characteristic Production Area + Unique Brand + Distinctive Experience” with products with regional features, and developed and launched ginseng wine with excellent healthcare effects leveraging the advantage of Tonghua as a ginseng production base, so as to fully cater to the health consideration of consumers in choosing wines. It is expected that the consumption of ginseng wine will gradually increase in the second half of the year. In addition, the Group vigorously promoted organic wines by leveraging the unique planting advantages of mountain grapes in the Tonghua region, which have become more prominent in terms of individuality and health.

Management Discussion and Analysis

With the improvement of supporting facilities such as logistics and warehousing, the development model of the wine industry combined with new retail has become clearer. The Group has made plan for digital transformation last year. With the support of digital technologies, the synergistic advantages of new retail channels have become more prominent. In the future, the Group will adhere to brand leadership and optimize product structure with a pragmatic and prudent attitude. With the empowerment of digital technologies, we will launch more high-quality domestic products with market competitiveness to consolidate the leading position of the top brand in the industry.

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 needs 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 2021 (2020 corresponding period: nil).



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's working capital was healthy and positive and we financed the Group's operation with internal cash flows generated from operations and the issue of convertible bonds. As at 30 June 2021, the Group's cash and cash equivalents were substantially denominated in RMB and amounted to approximately RMB62,634,000. 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 RMB5,350,000 contracted but not provided for in the condensed consolidated financial statements as at 30 June 2021. These commitments were required mainly to support the Group's production capacity expansion.

As at 30 June 2021, 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 2021, the Group employed a work force of 351 in Hong Kong and in the PRC (31 December 2020: 339). The total salaries and related costs (including Directors' fee) for the Period amounted to approximately RMB8,489,000 (2020 corresponding period: RMB7,879,000).

Management Discussion and Analysis

Share Option Scheme

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:

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\$	Number of options					Outstanding as at 30 June 2021
						Outstanding as at 1 January 2021	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
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, no options had been granted, outstanding, exercised, cancelled or lapsed under the 2019 Share Option Scheme.

Corporate Governance and Other Information

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 2021, 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 <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 4)</i>
Mr. Wang Guangyuan	The Company	Interest of a controlled corporation	495,178,720 <i>(L) (Note 2)</i>	24.60%

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 a company incorporated in the British Virgin Islands (the "BVI") and whose entire issued share capital is owned by Mr. Wang Guangyuan.
- (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 2021.

Corporate Governance and Other Information

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

As at 30 June 2021, 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 <i>(Note 1)</i>	Beneficial owner	495,178,720	24.60%
Ms. Zhang Min 張敏 <i>(Note 2)</i>	Interest of spouse	495,178,720	24.60%
Mr. Yan Shaohua 晏紹華	Beneficial owner	237,582,000	11.81%

Notes:

- (1) Up Mount International Limited is a company incorporated in the BVI, and is solely and beneficially owned by Mr. Wang, the chairman of the Company, an executive Director and the chief executive officer of the Company.
- (2) Ms. Zhang Min is the spouse of Mr. Wang Guangyuan and is deemed to be interested in all the shares held by Mr. Wang Guangyuan (through Up Mount International Limited 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 2021.

All the interests stated above represent long positions. As at 30 June 2021, 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 2021 or at any time during the Period.



Corporate Governance and Other Information

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.

Review of Interim Financial Results

The interim results and interim report of the Company for the six months ended 30 June 2021 have been reviewed by ZHONGHUI ANDA CPA Limited, the Company’s independent auditor, whose review report will be included in the interim report to be despatched to shareholders of the Company.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal control systems and financial reporting matters including the review of the unaudited interim results and interim report of the Company for the six months ended 30 June 2021.

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 express my sincere gratitude to our senior management team and all staff for their hard work and dedication over the years.

Wang Guangyuan

Chairman and Executive Director

31 August 2021

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF CHINA TONTINE WINES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 50 which comprises the condensed consolidated statement of financial position of China Tontine Wines Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other 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 “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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.

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 HKICPA. A review of interim financial information 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.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The interim condensed consolidated financial information of the Group for the six months period ended 30 June 2020 has not been reviewed in accordance with Hong Kong Standards on Review Engagements.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Practising Certificate Number P05988

Hong Kong, 31 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

		Six months ended 30 June	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	64,492	56,088
Cost of sales		<u>(46,375)</u>	<u>(77,924)</u>
Gross profit/(loss)		18,117	(21,836)
Other income, gains and losses	6	(1,094)	(433)
Selling and distribution expenses		(4,802)	(21,971)
Administrative and other operating expenses		(18,563)	(19,757)
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	14	1,555	1,730
Change in fair value of convertible bonds	19	(1,585)	–
Finance costs	7	(89)	(854)
Loss before tax		(6,461)	(74,179)
Income tax expense	8	–	–
Loss and total comprehensive expense for the period	9	<u>(6,461)</u>	<u>(74,179)</u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(7,908)	(70,881)
Non-controlling interests		1,447	(3,298)
		<u>(6,461)</u>	<u>(74,179)</u>
Loss per share	11		
Basic (RMB cents)		<u>(0.39)</u>	<u>(3.52)</u>
Diluted (RMB cents)		<u>(0.39)</u>	<u>(3.52)</u>

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	133,019	138,175
Right-of-use assets	13	39,250	41,045
Biological assets	14	4,503	2,642
Prepayments	17	9,058	9,058
		<u>185,830</u>	<u>190,920</u>
Current assets			
Inventories	15	211,541	143,775
Trade receivables	16	72,411	65,726
Other receivable, deposits and prepayments	17	23,788	96,784
Current tax recoverable		5,551	5,551
Bank and cash balances		62,634	37,447
		<u>375,925</u>	<u>349,283</u>
Current liabilities			
Trade payables	18	4,766	5,343
Other payables and accruals		16,228	23,069
Amount due to ultimate holding company		5,444	3,769
Lease liabilities		1,399	788
Current tax liabilities		9,961	9,961
		<u>37,798</u>	<u>42,930</u>
Net current assets		<u>338,127</u>	<u>306,353</u>
Total assets less current liabilities		<u>523,957</u>	<u>497,273</u>
Non-current liabilities			
Convertible bonds	19	33,954	–
Lease liabilities		1,571	2,380
		<u>35,525</u>	<u>2,380</u>
NET ASSETS		<u>488,432</u>	<u>494,893</u>
Capital and reserves			
Share capital	20	17,624	17,624
Reserves		391,816	399,724
		<u>409,440</u>	<u>417,348</u>
Equity attributable to owners of the Company		409,440	417,348
Non-controlling interests		78,992	77,545
TOTAL EQUITY		<u>488,432</u>	<u>494,893</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company						Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Statutory reserves	Share options reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (Audited)	17,624	910,541	86,360	135,088	8,373	(578,478)	579,508	83,770	663,278
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
At 1 January 2021 (Audited)	17,624	910,541	86,360	135,088	4,617	(736,882)	417,348	77,545	494,893
Total comprehensive expense for the period	-	-	-	-	-	(7,908)	(7,908)	1,447	(6,461)
Share option lapsed (note 21)	-	-	-	-	(4,617)	4,617	-	-	-
At 30 June 2021 (Unaudited)	17,624	910,541	86,360	135,088	-	(740,173)	409,440	78,992	488,432

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 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(7,663)	8,793
Cash flows from investing activities		
Decrease in pledged bank deposits	–	800
Purchase of property, plant and equipment	(847)	(8,322)
Interest received	112	177
Net cash used in investing activities	(735)	(7,345)
Cash flows from financing activities		
Advance from ultimate holding company	1,675	–
Repayment of lease liability	(287)	(503)
Interest paid	–	(854)
Net proceeds from issue of convertible bonds	32,197	–
Repayment of bank borrowing	–	(40,000)
Net cash generated from/(used in) financing activities	33,585	(41,357)
Net increase/(decrease) in cash and cash equivalents	25,187	(39,909)
Cash and cash equivalents at beginning of period	37,447	201,434
Cash and cash equivalents at end of period	62,634	161,525
Analysis of cash and cash equivalents		
Bank and cash balances	62,634	161,525



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Interim Financial Statement”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures requirements sets out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statements do not included all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020 (“2020 Annual Report”). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2020 Annual Report.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2021:

Fair value measurements as at 30 June 2021 using:			
Level 1	Level 2	Level 3	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Recurring fair value measurements:

Financial liabilities at fair value through profit or loss			
– Convertible bonds	–	33,954	–

	<u>–</u>	<u>33,954</u>	<u>–</u>	<u>33,954</u>
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During the period, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS – continued

(b) Disclosure of valuation techniques and inputs used in fair value measurements at 30 June 2021:

The Group has engaged an independent valuer, Hong Kong Appraisal Advisory Limited, to determine the fair values of the convertible bonds as at the date of issue and 30 June 2021.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value
			as at 30 June 2021
			RMB'000
			(Unaudited)
Convertible bonds	Binomial model	Share price Discount rate Volatility Conversion price	33,954

4. 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 the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION

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

	North- East Region <i>RMB'000</i>	Northern Region <i>RMB'000</i>	Eastern Region <i>RMB'000</i>	South- Central Region <i>RMB'000</i>	South- West Region <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended						
30 June 2021 (Unaudited)						
Segment revenue from external customers	<u>16,371</u>	<u>7,313</u>	<u>12,565</u>	<u>11,359</u>	<u>16,884</u>	<u>64,492</u>
Segment profit/(loss)	<u>3,218</u>	<u>2,359</u>	<u>3,106</u>	<u>(1,283)</u>	<u>5,915</u>	<u>13,315</u>
For the six months ended						
30 June 2020 (Unaudited)						
Segment revenue from external customers	<u>13,411</u>	<u>8,519</u>	<u>16,396</u>	<u>9,156</u>	<u>8,606</u>	<u>56,088</u>
Segment loss	<u>(10,828)</u>	<u>(3,460)</u>	<u>(4,635)</u>	<u>(4,647)</u>	<u>(2,758)</u>	<u>(26,328)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION – continued

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit or loss		
Total profit/(loss) of reportable segments	13,315	(26,328)
Unallocated amounts:		
Change in fair value of biological assets	1,555	1,730
Change in fair value of convertible bonds	(1,585)	–
Finance costs	(89)	(854)
Other corporate income	112	201
Other corporate expenses and losses	(19,769)	(48,928)
Consolidated loss for the period	(6,461)	(74,179)

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 2021 (Unaudited)						
Segment assets	22,210	2,987	21,706	14,410	11,098	72,411
Segment liabilities	934	417	717	648	964	3,680
As at 31 December 2020 (Audited)						
Segment assets	14,829	5,334	27,555	9,729	8,279	65,726
Segment liabilities	938	531	1,271	666	627	4,033

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION – continued

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Assets		
Total assets of reportable segments	72,411	65,726
Unallocated amounts:		
Property, plant and equipment	133,019	138,175
Right-of-use assets	39,250	41,045
Biological assets	4,503	2,642
Inventories	211,541	143,775
Other receivables, deposits and prepayments	32,846	105,842
Current tax recoverable	5,551	5,551
Bank and cash balances	62,634	37,447
	<hr/>	<hr/>
Consolidated total assets	561,755	540,203
	<hr/>	<hr/>
Liabilities		
Total liabilities of reportable segments	3,680	4,033
Unallocated amounts:		
Trade payables	4,766	5,343
Other payables and accruals	12,548	19,036
Convertible bonds	33,954	–
Amount due to ultimate holding company	5,444	3,769
Lease liabilities	2,970	3,168
Current tax liabilities	9,961	9,961
	<hr/>	<hr/>
Consolidated total liabilities	73,323	45,310
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. 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	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Sweet wines	28,334	32,364
Dry wines	28,017	17,313
Brandy	2,700	1,835
Others	5,441	4,576
	<u>64,492</u>	<u>56,088</u>

Timing of revenue recognition

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At a point in time	<u>64,492</u>	<u>56,088</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bank interest income	112	177
Net foreign exchange loss	(1,206)	(634)
Others	–	24
	<u>(1,094)</u>	<u>(433)</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Lease interests	89	–
Interests on bank borrowing	–	854
	<u>89</u>	<u>854</u>

8. INCOME TAX EXPENSE

No provision for taxation in Hong Kong has been made as the Group did not have any assessable profit arising from Hong Kong during the six months ended 30 June 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for PRC Enterprise Income Tax has been made as the Group did not have assessable profit subject to PRC Enterprise Income Tax during the six months ended 30 June 2021 and 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	37,370	39,551
Write off of inventories (included in cost of sales)	–	31,456
Loss allowance for trade receivables	491	4,910
Impairment loss on property, plant and equipment	–	8,625
Impairment loss on right-of-use assets	–	2,433
Depreciation of property, plant and equipment	6,729	5,306
Depreciation of right-of-use assets	1,795	1,836
Less: amounts included in property, plant and equipment	(726)	(893)
	<u>1,069</u>	<u>943</u>

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2021 attributable to owners of the Company of approximately RMB7,908,000 (Six months ended 30 June 2020: approximately RMB7,881,000) and the weighted average number of ordinary shares of 2,013,018,000 (Six months ended 30 June 2020: 2,013,018,000) in issue during the six months ended 30 June 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. LOSS PER SHARE – continued

Diluted loss per share

For the six months ended 30 June 2021 and 2020, the computation of diluted loss per share does not assume the exercise of the Company's convertible bonds and share options since their exercise would result in a decrease in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

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

	<i>RMB'000</i>
At 1 January 2021 (Audited)	138,175
Additions	1,573
Depreciation for the period	<u>(6,729)</u>
At 30 June 2021 (Unaudited)	<u>133,019</u>

13. RIGHT-OF-USE ASSETS

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

	<i>RMB'000</i>
At 1 January 2021 (Audited)	41,045
Depreciation for the period	<u>(1,795)</u>
At 30 June 2021 (Unaudited)	<u>39,250</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. BIOLOGICAL ASSETS

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

	<i>RMB'000</i>
At 1 January 2021 (Audited)	2,642
Change in fair value of biological assets	1,555
Increase due to cultivation	306
	<hr/>
At 30 June 2021 (Unaudited)	4,503
	<hr/>

No agricultural produce was harvested for the current interim period. All grapes are usually harvested annually from August to November of each year. The Group has engaged an independent valuer, Savills Valuation and Professional Services Limited, to determine the fair values of grapevines as at 30 June 2021.

15. INVENTORIES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Raw materials and consumables	125,891	50,730
Work in progress	75,301	81,112
Finished goods	10,349	11,933
	<hr/>	<hr/>
	211,541	143,775
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. 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 the ageing 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 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0 – 90 days	46,216	37,653
91 – 180 days	4,703	10,053
181 – 365 days	8,830	9,948
Over 365 days	12,662	8,072
	<hr/> 72,411	<hr/> 65,726

Reconciliation of loss allowance for trade receivables:

	<i>RMB'000</i>
Balance at 1 January 2021 (Audited)	3,260
Increase in loss allowance for the period	491
	<hr/>
Balance at 30 June 2021 (Unaudited)	3,751

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Current		
Rental deposit	681	681
Prepayments for inventories (note)	10,080	90,080
Other tax receivables	12,995	6,014
Other deposits and prepayments	32	9
	<u>23,788</u>	<u>96,784</u>
Non-current		
Prepayments for property, plant and equipment	7,458	7,458
Prepayments for intangible asset	1,600	1,600
	<u>9,058</u>	<u>9,058</u>

Note:

During the year ended 31 December 2020, the Group entered into a purchase agreement amounting to RMB94,918,500 with an independent third party in respect of the purchase of Australian grape juice and a prepayment of RMB80,000,000 was paid. The date of completion of the agreement had been extended from 31 December 2020 to 30 June 2021 due to the trade dispute between China and Australia. If the transaction cannot be completed during the period before 30 June 2021, a full refund will be issued. During the six months ended 30 June 2021, the transaction was completed and recorded as raw materials in inventories.

The Group entered into another purchase agreement amounting to RMB33,600,000 with an independent third party relating to the purchase of ginseng for developing new products. A prepayment of RMB10,080,000 was paid and the transaction will be completed before 30 November 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. TRADE PAYABLES

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0 – 30 days	855	2,213
31 – 60 days	<u>3,911</u>	<u>3,130</u>
	<u>4,766</u>	<u>5,343</u>

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

19. CONVERTIBLE BONDS

On 11 February 2021 (the “Issue Date”), the convertible bonds with the nominal value of HK\$40,000,000 (the “Convertible Bonds”) were issued to two placees namely Mr. Koo Yuen Kim (古潤金先生) and Mr. Sim Tsz Shiong (沈士雄先生) who are independent third parties. The Convertible Bonds will due on the second anniversary of the Issue Date or (if not a business day) the business day immediately before the date of the second anniversary of the Issue Date (the “Maturity Date”).

The Convertible Bonds is convertible in whole amount or multiple of the minimum denomination of HK\$1,000,000 into ordinary shares of the Company at any time between the Issue Date and the Maturity Date. The Convertible Bonds, if exercised in full, will be convertible to a maximum 400,000,000 ordinary shares of HK\$0.01 each in the Company at the conversion price of HK\$0.10 per share. If the Convertible Bonds have not been converted, they will be redeemed at par on the Maturity Date. Interest of 15 per cent per annum will be paid half-yearly up until the Maturity Date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. CONVERTIBLE BONDS – continued

The Company may at any time from the fourth month of the Issue Date to the Maturity Date redeem the Convertible Bonds at 100% of the outstanding principal amount (in whole amount or multiple of the minimum denomination of HK\$1,000,000) in cash by serving at least 30 business days' prior written notice on the bondholders with the total amount proposed to be redeemed from the bondholders specified therein.

The bondholders may at any time from (i) the sixth month of the Issue Date to the Maturity Date and (ii) the first anniversary of the Issue Date to the Maturity Date, request the Company to redeem the Convertible Bonds at (i) 50% and (ii) 100% of the outstanding principal amount in cash by serving at least 30 business days' prior written notice on the Company with the total amount proposed to be redeemed by the bondholders specified therein, respectively.

The Group has engaged an independent valuer, Hong Kong Appraisal Advisory Limited, to determine the fair values of the Convertible Bonds as at the Issue Date and 30 June 2021. For the fair value measurement of the Convertible Bonds, please refer to note 3.

The movements of the Convertible Bonds during the six months ended 30 June 2021 are as follows:

	<i>RMB'000</i>
Net proceeds from issue of convertible bonds	
(Being the gross proceed of approximately RMB33,323,000 (HK\$40,000,000) net with direct cost of approximately RMB1,126,000 (approximately HK\$1,352,000))	32,197
Foreign exchange loss	172
Fair value loss	1,585
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Fair value of convertible bonds as at 30 June 2021	33,954
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 (2020: HK\$0.01) each At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2020: HK\$0.01) each At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	<u>2,013,018</u>	<u>20,131</u>
		<i>RMB'000</i>
Shown in the condensed consolidated financial statements at 1 January 2020 (Audited), 30 June 2020 (Unaudited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)		<u>17,624</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted by the shareholders of the Company 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 30 June 2021 and 31 December 2020 are set out below:

Date of grant	Number of options	Exercisable period	Exercise price
9 May 2016	As at 30 June 2021: Nil (note) (Unaudited)	9 May 2016 to 8 May 2021	HK\$0.263
	As at 31 December 2020: 66,200,000 (Audited)		

Note: No share options were exercised and 66,200,000 share options were lapsed during the six months ended 30 June 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22. CAPITAL COMMITMENTS

The Group's capital commitments, at the end of the reporting period are as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Capital expenditure in respect of the followings contracted for but not provided in the condensed consolidated financial statements:		
Acquisition of property, plant and equipment	–	840
Acquisition of intangible assets	1,750	1,750
Development of wine estate and wine cellar	3,600	3,600
	<hr/> 5,350	<hr/> 6,190

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	2,049	2,088
Post-employment benefits	90	34
	<hr/>	<hr/>
	2,139	2,122

The remuneration of directors and key executives is determined by the board of directors of the Company (upon the recommendation of the remuneration committee) having regard to the performance of individuals and market trends.