安徽古井贡酒股份有限公司
ANHUI GUJING DISTILLERY COMPANY LIMITED

Semi-annual Report 2011

August 2011

Important Notes

- The Board of Directors, Supervisory Committee and directors, supervisors, and senior managers of the company ensure that there is neither untrue presentation, seriously misleading statements, nor omission of material facts contained in the information herein and shall severally and jointly bear responsibility for the authenticity, accuracy and completeness of the information contained in this report.
- Mr. Yu Lin, the principal of the Company, Mr. Ye Changqing, the principal in charge of accounting, and Ms. Xia Xueyun, the principal of the accounting organ (chief accountant), hereby declare that: We guarantee the authenticity and completeness of the financial statements in the semi-annual report.
- The financial statements in the Company's interim report have not yet been audited.
- The report has been prepared in Chinese and English respectively. In case of discrepancy, the Chinese version shall prevail.
- In the report, all of Company, the Company and Gujing refer to Anhui Gujing Distillery Co., Ltd., "Gujing Group" refers to Anhui Gujing Group Co., Ltd..

Contents

Chapter I Basic Information of the Company

I. Basic Information

1. Statutory name of the Company:
   In Chinese: 安徽古井贡酒股份有限公司
   In English: ANHUI GUJING DISTILLERY COMPANY LIMITED
   Abbreviation: GUJING
2. Legal representative: Yu Lin
3. Secretary of Board of Directors: Ye Changqing
   Contact address: Gujing, Bozhou, Anhui
   Tel: (0558) 5712231
   Fax: (0558) 5317706
   E-mail: ycq@gujing.com.cn
   Securities affairs representative: Ma Junwei
   Contact address: Gujing, Bozhou, Anhui
   Tel: (0558) 5710057
   Fax: (0558) 5317706
   E-mail: gjzqb@gujing.com.cn
4. Registered address: Gujing, Bozhou, Anhui
   Office address: Gujing, Bozhou, Anhui
   Post code: 236820
   Website: http://www.gujing.com
   E-mail: gujing@mail.ahbbptt.com.cn
5. Selected newspapers for information disclosure are as follows: China Securities Journal, Shanghai Securities News, and Hong Kong Ta Kung Pao
   Website for publishing Annual Report of the Company: http://www.cninfo.com.cn
   Place of the Annual Report filed: Office of Secretary of BOD of the Company
6. Place where the company shares are listed: Shenzhen Stock Exchange
   Short form of Stock Name: Gujing Distillery Stock Code: 000596
   Short form of Stock Name: Gujing Distillery B Stock Code: 200596
7. Other information:
   1) Initial registration date of the Company: 30 May 1996
      Registration authority: Anhui Provincial Administration for Industry and Commerce
   2) Registration No. of Corporate Business License: 340000400001632
      Tax registration number: 341600151940008.
   3) Name and address of the CPA firm appointed by the Company
      Name: Reanda Certified Public Accountants
      Address: 2008 Dongqu, Bldg. 1, Zhubang 2000, 100 Balizhuang Xili, ChaoYang District, Beijing, PRC.

II. Main financial data and index

1. Main accounting data and financial index

Unit: (RMB) Yuan

	30 Jun. 2011	31 Dec. 2010	Increase/decrease (%)
Total assets (Yuan)	2,293,213,128.85	1,857,931,814.00	23.43
Owners' equity attributed to shareholders of the listed company (Yuan)	1,255,173,026.68	1,049,475,547.82	19.60
Share capital (Share)	235,000,000.00	235,000,000.00	0.00
Net assets per share attributed to shareholders of the listed company (Yuan/share)	5.34	4.47	19.46
	Jan. – Jun. 2011	Jan. – Jun. 2010	Increase/decrease (%)
Total operating income (Yuan)	1,583,297,669.82	856,347,372.96	84.89
Operating profit (Yuan)	388,708,798.74	137,764,355.39	182.15
Total profit (Yuan)	394,339,400.11	145,416,447.76	171.18
Net profit attributed to shareholders of the listed company (Yuan)	287,947,478.86	107,386,990.04	168.14
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses (Yuan)	283,724,527.83	101,647,920.76	179.12
Basic earnings per share (Yuan/share)	1.23	0.46	167.39
Diluted earnings per share (Yuan/share)	1.23	0.46	167.39
Weighted average net asset earning ratio (%)	24.99	13.09	11.90
Weighted average net asset earning ratio after deducting non-recurring profits and losses (%)	24.62	12.39	12.23
Net cash flows from operating activities (Yuan)	195,085,921.58	162,039,277.10	20.39
Net cash flows per share from operating activities (Yuan/share)	0.83	0.69	20.29

2. Items and amounts of non-recurring profits and losses deducted

Unit: (RMB) Yuan

Non-recurring profit and loss	Amount	Note (if applicable)
Net non-operating incomes and expenses	5, 630, 601. 37	
Less: effect on income tax	1, 407, 650. 34	
Total	4, 222, 951. 03	

3. Difference between PRC GAAP and IFRS

There existed no difference between PRC GAAP and IFRS concerning the accounting data of the Company.

Chapter II Details of Changes in Share Capital and Major Shareholders

I. No changes in share capital during the reporting period

II. Particulars about shareholders

(1) Number of shareholders and shares held by them

Unit: share

Total number of shareholders	10,872				
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholder	Proportion of shares held	Total shares held	Non-tradable shares held	Shares pledged or frozen
Anhui Gujing Group Co., Ltd.	State-owned Corporation	57.75%	135,702,011		57,000,000
GUOTAIJUNAN SECURITIES (HONGKONG) LIMITED	Foreign corporation	2.98%	6,998,307		
KGI ASIA LIMITED	Foreign corporation	2.07%	4,866,839		
China Merchants Securities (HK) Co., Ltd.	State-owned Corporation	1.77%	4,152,042		
UBS (LUXEMBOURG) S.A.	Foreign corporation	1.57%	3,698,317		
Industrial and Commercial Bank of China-Galaxy Yintai Financing Dividend Fund	State-owned Corporation	1.47%	3,454,868		
Agricultural Bank of China-Soochow Value Growth Double Power Stock Fund	State-owned Corporation	1.42%	3,347,892		
TRIVEST CHINA FOCUS MASTER FUND	Foreign corporation	1.33%	3,135,087		
Industrial and Commercial Bank of China-Soochow Jiahe Advanced Mixed Type Open-Ended Fund	State-owned Corporation	1.31%	3,073,454		
Industrial and Commercial Bank of China- Tianhong Selected Mixed Type Fund	State-owned Corporation	1.04%	2,455,535		

Shares held by the top ten shareholders holding tradable share		
Name of shareholders	Tradable shares held	Variety of shares
Anhui Gujing Group Co., Ltd.	135,702,011	Renminbi ordinary shares
GUOTAIJUNAN SECURITIES	6,998,307	Domestically listed foreign shares

(HONGKONG) LIMITED		
KGI ASIA LIMITED	4,866,839	Domestically listed foreign shares
China Merchants Securities (HK) Co., Ltd.	4,152,042	Domestically listed foreign shares
UBS (LUXEMBOURG) S.A.	3,698,317	Domestically listed foreign shares
Industrial and Commercial Bank of China-Galaxy Yintai Financing Dividend Fund	3,454,868	Renminbi ordinary shares
Agricultural Bank of China-Soochow Value Growth Double Power Stock Fund	3,347,892	Renminbi ordinary shares
TRIVEST CHINA FOCUS MASTER FUND	3,135,087	Domestically listed foreign shares
Industrial and Commercial Bank of China-Soochow Jiahe Advanced Mixed Type Open-Ended Fund	3,073,454	Renminbi ordinary shares
Industrial and Commercial Bank of China-Tianhong Selected Mixed Type Fund	2,455,535	Renminbi ordinary shares
Explanation on associated relationship among the top ten shareholders or acting-in-concert	Among the shareholders above, no affiliated relationship exists between the Company's controlling shareholder — Anhui Gujing Group Co., Ltd. — and other shareholders, nor they are parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. Among shareholders holding tradable shares, Agricultural Bank of China-Soochow Value Growth Double Power Stock Fund and Industrial and Commercial Bank of China-Soochow Jiahe Advanced Mixed Type Open-Ended Fund are parties acting in concert. As for other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.	

(2) The shareholder holding over 5% shares—Anhui Gujing Group Co., Ltd.—holds 135,702,011 shares at the end of the reporting period, which are all tradable shares. And Anhui Gujing Group Co., Ltd. had no pledge or entrust situation other than gaining loans by its 57,000,000 shares of the Company on 16 Mar. 2009

(3) Anhui Gujing Group Co., Ltd. is the shareholder that represents the state.

Chapter III Particulars about Directors, Supervisors and Senior Executives of the Company

I. Changes in shares held by directors, supervisors and senior executives of the Company

There is no change in shares held by directors, supervisors and senior executives of the Company during the reporting period.

II. Changes in directors, supervisors and senior executives of the Company during the reporting period:

(I) Shareholders' General Meeting for Y2010 held by the Company on 15 Apr. 2011

1. Mr. Yu Lin, Mr. Liang Jinhui, Mr. Wang Feng, Mr. Ye Changqing, Mr. Zhou Qingwu and Mr. Yang Xiaofan were elected as the Directors of the 6th Board of Directors of the Company at the session; and Mr. Wang Ruihua, Mr. Wu Cisheng and Mr. Liu Libin were elected as the Independent Directors of the 6th Board of Directors of the Company.

2. Mr. Xu Peng, Mr. Niu Haiting, Mr. Hu Wenchao, Mr. Lu Duicang and Mr. Fu Qiangxin were elected as the Supervisors of the 6th Supervisory Committee of the Company at the session.

(II) The 1st Session of the 6th Board of Directors held by the Company on 15 Apr. 2011

1. Mr. Yu Lin was elected as the Chairman of the 6th Board of Directors of the Company at the session; Mr. Liang Jinhui was engaged as the General Manager of the Company; Mr. Zhou Qingwu and Mr. Ye Changqing were engaged as the Vice General Manager of the Company; and Mr. Ye Changqing was engaged as the Chief Accountant and Secretary to the Board.

(III) The 1st Session of the 6th Supervisory Committee held by the Company on 15 Apr. 2011

1. Mr. Xu Peng was elected as the Chief Supervisor of the 6th Supervisory Committee of the Company at the session.

Chapter IV Report of the Board of Directors

I. Discussion and analysis by the management

2011 is considered a crucial year for the Company's goal to achieve leap-frog development. In the reporting period, sticking to its production and operation plan, the Company continued to carry out lean management and the operating strategy of "Continuous Focus and Efficient Execution". Under the leadership of the Board of Directors and the common efforts of all employees, the Company adjusted its organizational structure for marketing, optimized its product mix and rationally allocated various resources, further improving the Company's operation and comprehensive competitiveness. And all operating objectives for the first half of the year were accomplished.

In the production of distilled spirit, the Company kept to the principle—"Quality is the most important". With lean management, spirit richness and unique bouquet as the goals, the Company improved its brewing technique and enhanced development of a spirit tasting & commenting system, which laid a solid quality foundation for its rapid and sustained development.

In marketing, the Company kept to the principle of "High Quality, Big Brand and Full Coverage". During the reporting period, it continued to implement the marketing strategy of "Continuous Focus and Efficient Execution", and rationally allocated resources according to different environments in key markets such as Jiangsu, Shandong, Henan, Anhui, Zhejiang and Hebei. The move further solidified and improved the market performance and share of the "Gujinggong Year Protoplasmic Spirit Series". All business indicators showed a distinct growth.

II. Operating results of the Company during the reporting period

(I) Business overview

For the reporting period, the Company achieved an operating income of RMB 1,583,297,700, up by 84.89% year on year; a total profit of RMB 394,339,400, up by 171.18% year on year; a net profit reaching RMB 287,947,500, up by 168.14% year on year; net operating cash flows of RMB 195,085,900, up by 20.39% from a year earlier; and EPS of RMB 1.23, up by 167.39% from a year earlier. As such, the Company accomplished all business objectives set for the first half of the year, showing that the Company was in a good operating position with an excellent operating quality.

(Ⅱ) Breakdown of main businesses

1. Main business scope of the Company

The Company mainly specializes in the production and sale of "Gujinggong", "Gujing" distilled spirits and other distilled spirits with a strong aroma, with the alcohol content ranging from 60 degree to 30 degree, and the prices ranging from high, medium and low levels. A complete product system has been formed with the Gujinggong year protoplasmic spirit series as the core, and the traditional Gujinggong spirit series and the “gentle” Gujing spirit series as the important support.

2. Main operations classified by products and industries

Unit: (RMB) ten thousand

Main operations classified by industries						
Industries or products	Operating income	Operating cost	Gross profit rate (%)	Year-on-year increase/decrease of operating income (%)	Year-on-year increase/decrease of operating cost (%)	Year-on-year increase/decrease of gross profit rate (%)
Distilled spirits	151,578.60	35,896.04	76.32	93.15	91.23	0.24
Hotel	3,224.61	1,967.01	39.00	-12.07	-10.60	-1.00
Others	1,614.92	1,159.64	28.19	41.72	35.27	3.42
Total	156,418.12	39,022.69	75.05	87.81	78.77	1.26
Main operations by products						
High-class spirits	94,959.22	18,423.35	80.60	139.95	139.70	0.02
Medium-class spirits	54,985.99	16,610.06	69.79	48.29	62.99	-2.72
Low-class spirits	1,633.39	862.63	47.19	-10.43	-3.50	-3.79
Total	151,578.60	35,896.04	76.32	93.15	91.23	0.24

3. Main operations classified by regions

Unit: (RMB) ten thousand

Region	Operating income	Year-on-year increase/decrease (%)
North China	29,941.05	233.05
Central China	113,683.95	70.80
South China	12,793.12	65.39
Total	156,418.12	87.81

(III) Financial analysis Unit: RMB Yuan

1. Items of the balance sheet:

(1) Notes receivable at the period-end were up by 307.75% as compared with the opening amount, which was mainly due to increase of income in the reporting period and notes receivable were adopted more often for settlement;

(2) Accounts receivable at the period-end were up by 223.20% as compared with the opening amount, which was mainly due to increase of the sales income;

(3) Prepayments at the period-end were up by 205.26% as compared with the opening amount, which was mainly because the expenses incurred due to the seasonal production halt were recognized as deferred expenses;

(4) Other receivables at the period-end were up by 25.49% as compared with the opening amount, which was mainly because the Company paid compensations for relocation on other’s behalf in the reporting period;

(5) Intangible assets at the period-end were up by 30.09% as compared with the opening amount, which was mainly because the Company paid for land purchased for projects invested with raised funds;

(6) Long-term deferred expenses at the period-end were down by 25.00% as

compared with the opening amount, which was mainly due to amortization for the reporting period;
(7) Accounts received in advance at the period-end were up by 155.19% as compared with the opening amount, which was mainly due to increase of operating revenues and advances from customers in the reporting period;
(8) Other payables at the period-end were up by 56.40% as compared with the opening amount, which was mainly because guaranty deposits received by the Company increased due to the sales growth and the large-scale repair expenses during the seasonal production halt were not yet settled;
(9) Other current liabilities at the period-end were down by 50.00% as compared with the opening amount, which was mainly due to amortization of deferred incomes for the reporting period.

2. Items of the income statement:
(1) Operating income in the reporting period was up by 84.89% year on year, which was mainly due to increase of the distilled spirit sales volume and the selling prices in the reporting period;
(2) Operating cost in the reporting period was up by 67.57% year on year, which was mainly due to the sales increase in the reporting period;
(3) Business taxes and surcharges in the reporting period were up by 84.92% year on year, which was mainly due to the sales increase in the reporting period;
(4) Selling expenses in the reporting period were up by 68.89% year on year, which was mainly due to a higher input for advertising and market expansion in the reporting period;
(5) Administrative expenses in the reporting period were down by 187.75% year on year, which was mainly due to increase of interest income from term deposits and structural deposits, as well as services fees charged on notes in the reporting period;
(6) Income tax expenses in the reporting period were up by 179.76% year on year, which was mainly due to increase of the total profit for the reporting period.

(IV) There were no other operating activities during the reporting period that had significant influence on the profit.
(V) There was no investment income from any individual joint venture which accounted for over (including) 10 % of the Company's net profit during the reporting period.

(VI) Existing problems and difficulties, as well as the plan for the second half of the year
1. Existing problems and difficulties
(1) In the first half of the year, the distilled spirit industry continued to prosper, with increasing market concentration. In terms of the competition situation, top spirit makers maintained a rapid growth while second-tier spirit makers accelerated their growth despite fierce competition. Big names and high-end spirits increase in the industry. It has become increasingly obvious that "the strong will remain strong

eternally". Meanwhile, growth of regional strong brands is also worth expecting. In face of direct competition with other competitors in its strategic main market, the Company will try its best to win the sale battle in the second half of the year—a peak season of distilled spirit sales. It is fairly crucial for the Company to fulfill its strategic objectives.
(2) To increase the Company's brand value is a long-term strategy. The Company's strategic main product—the Gujinggong year protoplasmic spirit series—maintains a rapid growth but also encounters direct challenges from other brands. Therefore, in the process of increasing its brand value and the market share of the Gujinggong year protoplasmic spirit series, the Company should maintain quite a resource input for the segment. The Company needs to concentrate resource input and improve the input-output effect.
(3) In rapid development of business, the Company should pay attention to building a talent team. It will try all means to improve employees' quality and professional skills so as to build an operational and management team featuring good political quality, good business performance, good cooperation and a good image. In this way, the Company seeks to lay a solid talent foundation for its leap-frog development.

2. Measures to be taken in the second half of the year
In order to fulfill all business objectives in a better way, the Company is going to adopt the following measures:
(1) The Company will actively promote the idea of "maximum production". In production, it will further carry out lean management. By using the lean management tool, the Company will increase the production efficiency and the product quality from the outside to the inside, i.e. from improvements at the production site to improvements of the production process, tools, methods and the management mode.
(2) In marketing, the Company will continue to carry out the strategy of "Continuous focus and Efficient Execution" so as to promote the execution efficiency of the new organizational structure for marketing. It will rationally plan out its market layout and improve allocation of capital and other resources so as to ensure that all employees, capital and materials will run in an orderly, rational and smooth way. Meanwhile, by beefing up the market access project and carrying out phasic sales promotion activities, the Company will manage resources to their very best performance so as to enlarge its market share.
(3) The Company will also accelerate the building of a talent team. Using a position value evaluating tool, the Company will formulate a remuneration and performance evaluation system which is truly needed by the Company and keep improving its incentive and disciplinary mechanism.

III. Particulars about investments during the reporting period

(I) Investment with raised capital
There was no investment with raised capital during the reporting period.
(II) Investment with non-raised capital
There was no significant investment with non-raised capital during the reporting

period.

(IV) During the reporting period, there was no difference between the actual operating results and the profit forecast and expectations disclosed in the periodical report of the previous period.

Chapter V Substantial Events

I. Corporate governance

In the reporting period, in strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China and the Guiding Opinion for Formulating the Independent Director Mechanism in Listed Companies, as well as other applicable laws, regulations and regulatory documents, the Company kept improving its corporate governance and operation in practice.

In the first half of the year, according to requirements of the Basic Norms of Enterprise Internal Control, the Guideline of the Shenzhen Stock Exchange for Internal Control of Listed Companies and other applicable regulatory documents, the Company launched a series of internal control activities to improve the internal control system step by step and promote normative operation and healthy development of the Company. The Board of Directors, the Supervisory Committee, the managers and other organs made operating decisions, exercised rights and assumed responsibilities in strict compliance with the normative operation rules and the internal management rules, which ensured that the Company operated normatively under the applicable rules.

Pursuant to requirements of the CSRC and the Stock Listing Rules of the Shenzhen Stock Exchange, under the principles of "openness, fairness and justness", the Company performed the duty of information disclosure in a serious and timely manner, ensuring the factuality, accuracy and completeness of the information disclosed by the Company. There was no false information, misleading statement or material omission in the information disclosed by the Company. And all shareholders of the Company were equal in obtaining information that the Company disclosed.

In the future, according to the Basic Norms of Enterprise Internal Control and the Guideline of the Shenzhen Stock Exchange for Internal Control of Listed Companies, the Company will continue to perfect its corporate governance and form effective checks and balances among organs of power, decision-making, supervision and execution, so as to make sure that the Company's governance will be improved continuously.

II. Plan for profit distribution and transfer of capital reserves to share capital, as well as the execution thereof

According to resolutions of the Annual Shareholders' General Meeting of 2010, the Board of Directors implemented and finished the profit distribution for 2010.

III. Major litigations and arbitrations

There was no significant litigation or arbitration during the reporting period.

IV. Stock equity of other listed companies held by the Company

The Company did not hold any stock equities of other listed companies.

V. There was no significant acquisition, sale or reorganization of assets or other substantial events in the reporting period.

VI. Major related-party transactions

(I) There was no significant non-operating related transaction.

(II) Implementation of routine operating related-party transactions

For details of the implementation of the Company's routine operating related-party transactions during the reporting period, please refer to the Notes to Financial Statements.

VII. The Company did not execute any important contract during the reporting period.

VIII. As at the end of the reporting period, the Company had made no major guarantee; and the controlling shareholder or other related party had occupied the Company's funds.

IX. Special explanation and independent opinion of the independent directors on capital occupation by related parties or provision of external guarantees by the Company

According to the CSRC Document ZJF [2003] No. 56—the Circular on Regulating Capital Flows between Listed Companies and Their Related parties and Listed Companies' Provision of Guarantees for External Parties, as well as the Notice of the Shenzhen Stock Exchange on Doing a Good Job in Listed Companies' Disclosure of their Semi-annual Reports 2011, as the independent directors of Anhui Gujing Distillery Company Limited, we have made the following opinions on capital occupation by the Company's related parties and the current and accumulative external guarantees provided by the Company, under the principles of strict self-regulation, normative operation and being fact-based upon relevant checks and investigations:

During the reporting period, the Company did not provide any significant guarantee, and the controlling shareholder and other related parties did not occupy any capital of the Company.

We believe that: The directors, supervisors and senior executives of the Company can strictly abide by relevant laws and regulations as well as internal control rules. There are no funds occupied by the controlling shareholder or other related parties. The Company has not provided any guarantee in any form for other companies or organizations. The Company has well controlled the risk of external guarantee provision and protected the interests of minority shareholders.

Independent directors: Wang Ruihua, Wu Cisheng, Liu Libin

X. Execution of the information insider management rules

In the reporting period, the company secretary was responsible for the disclosure of sensitive information. Before the disclosure of any significant information in periodical reports or interim announcements, the personnel who had access to the insider information all filled in the Registration Form for Information Insiders in a timely manner as required by regulatory authorities. During the reporting period, no insider traded the Company's shares making use of the insider information before the disclosure of significant sensitive information that might influence the Company's stock price.

During the first half of the year, the Company strictly carried out the Management Rules for Information Reporting, Submission to and Use by External Parties, effectively controlling the reporting and submission of the Company's business data, financial statements and other internal information to external parties. No information of the Company was leaked against applicable laws and regualtions during the reporting period.

XI. Reception of surveys, interviews and visits in the reporting period

The Company did not receive any survey, interview or visit from any institution or individual during the reporting period.

In the first half of 2011, for investor inquiries made over the phone, the Company answered them according to relevant rules. The Company never disclosed, revealed or leaked any significant confidential information selectively, privately or in advance to certain parties, ensuring the fairness of information disclosure.

XII. Particulars about engagement and dismissal of the accounting firm

The 2010 Annual Shareholders' General Meeting of the Company resolved to continue to engage Reanda Certified Public Accountants as the Company's audit agency for 2011. For the reporting period, the Company paid an audit fee of RMB 0.35 million to the accounting firm.

XIII. Progress of the private offering project launched by the Company

The A-share private offering plan was reviewed and approved first at the 26th Session of the Fifth Board of Directors on 26 Nov. 2010 and then at the First Special Shareholders' General Meeting for 2011. According to the plan, the net amount of the raised capital to be used would be RMB 1.266 billion, and the offering would raise a total sum less than RMB 1.30 billion.

According to the authorization by the First Special Shareholders' General Meeting for 2011 to the Board of Directors, a special session of the Fifth Board of Directors was held on 6 Apr. 2011. According to the corresponding announcement, it was resolved to take out RMB 39,845,200 (the self-owned capital previously input) from the total raised capital of the offering. Upon the adjustment, the total raised capital of the offering stood at an amount less than RMB 1,260,154,800, with the net raised capital to be invested in projects being RMB 1,226,154,800. The CSRC issued on 15 Jun. 2011 the Reply on the Private Stock Offering of Anhui Gujing Distillery Company Limited (Zheng-Jian-Xu-Ke [2011] No. 943), approving the Company to issue less than 20 million additional private A-shares in number, with a 6-month valid period starting from the date of approval.

Before the arrival of the raised capital of this offering, according to its production and operation needs, the Company would input self-raised capital in advance for some projects to be invested with the raised capital. And the Company would take out all the previously input self-raised capital from the raised capital of this offering upon the latter's arrival.

Usage plan for the raised capital of this offering:

Unit: RMB Ten thousand

Serial No.	Project name	Total investment	Raised capital to be invested
1	Technological Transform on the Brewage of High-quality Base Spirits	13,500	12,194.42
2	Construction of Base Spirit Blending & Filling Centre and Ancillary Facilities	68,600	65,921.06
3	Construction of Marketing Network	27,500	27,500.00
4	Brand Promotion	65,000	17,000.00
Total		174,600	122,615.48

XIV. Subsequent events

As approved by the CSRC Document Zheng-Jian-Xu-Ke [2011] No. 943, the Company accomplished the issuance-related work of the private offering project on 19 Jul. 2011. The Company issued a total of 16.80 million shares of RMB ordinary shares (A-shares) to 6 specific investors at the price of RMB 75.00 per share, raising RMB 1.26 billion in total. Reanda Certified Public Accountants verified the raised capital upon its arrival and issued the Capital Verification Report Reanda-Yan-Zi [2011] No. 1065. GF Securities Co., Ltd. served as the sponsor for the additional issue by the Company in the Shenzhen Stock Exchange.

Chapter VI Financial Report

I. Financial statements

Balance Sheet

Prepared by: ANHUI GUJING DISTILLERY COMPANY LIMITED

30 Jun. 2011 Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	The Company	Consolidation	The Company
Current Assets:				
Monetary funds	663,079,295.66	590,395,007.96	643,231,404.42	480,737,398.56
Settlement reserves				
Intra-group lendings				
Transactional financial assets				
Notes receivable	391,564,070.58	389,905,050.68	96,030,755.37	95,501,941.37
Accounts receivable	41,430,743.51	102,887.50	12,818,732.56	141,180.50
Accounts paid in advance	5,584,689.99	4,994,654.85	1,829,510.94	1,204,384.85
Premiums receivable				
Reinsurance premiums receivable				
Receivable reinsurance contract reserves				
Interest receivable				
Dividend receivable				
Other accounts receivable	97,744,409.65	277,853,147.42	77,890,785.60	267,012,565.97
Financial assets purchased under agreements to resell				
Inventories	481,855,981.80	436,480,735.40	452,879,486.68	415,921,177.10
Non-current assets due within 1 year				
Other current assets				
Total current assets	1,681,259,191.19	1,699,731,483.81	1,284,680,675.57	1,260,518,648.35
Non-current assets:				
Loans by mandate and advances granted				
Available-for-sale financial assets				
Held-to-maturity investments				

Long-term accounts receivable				
Long-term equity investment		217,991,408.32		227,891,408.32
Investing property	42,710,660.92	42,710,660.92	45,302,486.98	45,302,486.98
Fixed assets	334,121,980.06	127,894,759.87	340,073,469.76	124,128,116.13
Construction in progress	10,763,682.75	5,730,911.64	9,044,377.55	6,563,500.47
Engineering materials				
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets	200,918,757.37	75,409,547.35	154,446,392.29	27,308,645.11
R&D expense				
Goodwill				
Long-term deferred expenses	1,328,082.17	1,328,082.17	1,770,776.25	1,770,776.25
Deferred income tax assets	22,110,774.39	21,216,726.81	22,613,635.60	21,187,756.69
Other non-current assets				
Total of non-current assets	611,953,937.66	492,282,097.08	573,251,138.43	454,152,689.95
Total assets	2,293,213,128.85	2,192,013,580.89	1,857,931,814.00	1,714,671,338.30
Current liabilities:				
Short-term borrowings				
Borrowings from Central Bank				
Customer bank deposits and due to banks and other financial institutions				
Intra-group borrowings				
Transactional financial liabilities				
Notes payable				
Accounts payable	113,707,078.52	87,283,797.59	125,477,892.08	114,914,319.09
Accounts received in advance	233,472,954.11	747,747,445.98	91,491,403.51	300,050,355.69
Financial assets sold for repurchase				
Handling charges and commissions payable				
Employee’s	121,853,415.84	83,029,865.14	125,967,749.54	74,580,660.62

compensation payable				
Tax payable	368,116,984.93	228,371,916.38	334,701,132.86	226,903,366.29
Interest payable				
Dividend payable				
Other accounts payable	195,510,660.84	82,041,672.16	125,010,186.17	55,588,232.84
Reinsurance premiums payable				
Insurance contract reserves				
Payables for acting trading of securities				
Payables for acting underwriting of securities				
Non-current liabilities due within 1 year				
Other current liabilities	628,894.10	431,500.00	1,257,788.19	863,000.00
Total current liabilities	1,033,289,988.34	1,228,906,197.25	803,906,152.35	772,899,934.53
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Long-term payables				
Specific payables				
Estimated liabilities				
Deferred income tax liabilities				
Other non-current liabilities	4,750,113.83	4,351,000.00	4,550,113.83	4,151,000.00
Total non-current liabilities	4,750,113.83	4,351,000.00	4,550,113.83	4,151,000.00
Total liabilities	1,038,040,102.17	1,233,257,197.25	808,456,266.18	777,050,934.53
Owners' equity (or shareholders' equity)				
Paid-up capital (or share capital)	235,000,000.00	235,000,000.00	235,000,000.00	235,000,000.00
Capital reserves	336,039,042.92	288,262,657.08	336,039,042.92	288,262,657.08
Less: Treasury stock				
Specific reserves				
Surplus reserves	97,283,190.70	92,180,930.43	97,283,190.70	92,180,930.43
Provisions for general risks				
Retained profits	586,850,793.06	343,312,796.13	381,153,314.20	322,176,816.26
Foreign exchange difference				

Total equity attributable to owners of the Company	1,255,173,026.68	958,756,383.64	1,049,475,547.82	937,620,403.77
Minority interests				
Total owners' equity	1,255,173,026.68	958,756,383.64	1,049,475,547.82	937,620,403.77
Total liabilities and owners' equity	2,293,213,128.85	2,192,013,580.89	1,857,931,814.00	1,714,671,338.30

Income Statement

Prepared by: ANHUI GUJING DISTILLERY COMPANY LIMITED

Jan.-Jun. 2011 Unit: RMB Yuan

Items	Reporting period		Same period of last year	
	Consolidation	The Company	Consolidation	The Company
I. Total operating revenues	1,583,297,669.82	926,197,487.04	856,347,372.96	494,783,937.72
Including: Sales income	1,583,297,669.82	926,197,487.04	856,347,372.96	494,783,937.72
Interest income				
Premium income				
Handling charge and commission income				
II. Total operating cost	1,194,588,871.08	783,161,660.58	719,462,302.12	438,254,757.59
Including: Cost of sales	405,155,605.30	393,587,049.61	241,788,417.54	212,032,214.67
Interest expenses				
Handling charge and commission expenses				
Surrenders				
Net claims paid				
Net amount withdrawn for the insurance contract reserve				
Expenditure on policy dividends				
Reinsurance premium				
Taxes and associate charges	239,474,072.21	226,271,977.03	129,503,665.00	121,901,746.02
Selling and distribution expenses	337,004,379.60		199,540,427.62	
Administrative expenses	222,974,971.23	168,408,927.06	151,923,089.23	106,002,812.68
Financial expenses	-10,495,581.72	-5,222,173.59	-3,647,510.77	-2,036,229.28
Asset impairment loss	475,424.46	115,880.47	354,213.50	354,213.50
Add: Gain/(loss) from change in fair value ("-"			0.00	0.00

means loss)				
Gain/(loss) from investment ("-" means loss)		299,516.89	879,284.55	645,653.65
Including: share of profits in associates and joint ventures				
Foreign exchange gains ("-" means loss)				
III. Business profit ("-" means loss)	388,708,798.74	143,335,343.35	137,764,355.39	57,174,833.78
Add: non-operating income	5,916,789.73	1,901,357.07	9,177,114.26	7,802,557.76
Less: non-operating expense	286,188.36	129,123.05	1,525,021.89	1,466,135.05
Including: loss from non-current asset disposal	122,757.19		1,394,204.42	27,794.00
IV. Total profit ("-" means loss)	394,339,400.11	145,107,577.37	145,416,447.76	63,511,256.49
Less: Income tax expense	106,391,921.25	41,721,597.50	38,029,457.72	16,647,468.80
V. Net profit ("-" means loss)	287,947,478.86	103,385,979.87	107,386,990.04	46,863,787.69
Attributable to owners of the Company	287,947,478.86	103,385,979.87	107,386,990.04	46,863,787.69
Minority shareholders' income				
VI. Earnings per share				
(I) basic earnings per share	1.23	0.44	0.46	0.20
(II) diluted earnings per share	1.23	0.44	0.46	0.20
Ⅶ. Other comprehensive incomes				
Ⅷ. Total comprehensive incomes	287,947,478.86	103,385,979.87	107,386,990.04	46,863,787.69
Attributable to owners of the Company	287,947,478.86	103,385,979.87	107,386,990.04	46,863,787.69
Attributable to minority shareholders				

Cash Flow Statement

Prepared by: ANHUI GUJING DISTILLERY COMPANY LIMITED

Jan.-Jun. 2011 Unit: RMB Yuan

Items	Reporting period	Same period of last year

	Consolidation	The Company	Consolidation	The Company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	1,297,349,192.92	920,002,968.03	944,450,759.79	669,099,779.94
Net increase of deposits from customers and dues from banks				
Net increase of loans from the central bank				
Net increase of funds borrowed from other financial institutions				
Cash received from premium of original insurance contracts				
Net cash received from reinsurance business				
Net increase of deposits of policy holders and investment fund				
Net increase of disposal of tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase of intra-group borrowings				
Net increase of funds in repurchase business				
Tax refunds received	422,693.25		185,409.52	
Other cash received relating to operating activities	45,771,101.29	34,636,174.52	32,212,518.52	6,397,998.92
Subtotal of cash inflows from operating activities	1,343,542,987.46	954,639,142.55	976,848,687.83	675,497,778.86
Cash paid for goods and services	285,643,594.11	188,896,577.24	350,562,945.06	297,605,191.76
Net increase of customer lendings and advances				
Net increase of funds deposited in the central				

bank and amount due from banks				
Cash for paying claims of the original insurance contracts				
Cash for paying interest, handling charges and commissions				
Cash for paying policy dividends				
Cash paid to and for employees	157,164,781.96	75,008,438.31	81,480,491.28	47,482,907.43
Various taxes paid	531,346,111.98	386,162,796.55	299,367,760.53	195,644,012.34
Other cash payment relating to operating activities	174,302,577.83	35,367,982.85	83,398,213.86	10,111,917.21
Subtotal of cash outflows from operating activities	1,148,457,065.88	685,435,794.95	814,809,410.73	550,844,028.74
Net cash flows from operating activities	195,085,921.58	269,203,347.60	162,039,277.10	124,653,750.12
II. Cash flows from investing activities:				
Cash received from withdrawal of investments		9,900,000.00		
Cash received from return on investments			879,284.55	645,653.65
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	64,799.30	3,275.55	14,207,842.23	14,207,842.23
Net cash received from disposal of subsidiaries or other business units				
Other cash received relating to investing activities				
Subtotal of cash inflows from investing activities	64,799.30	9,903,275.55	15,087,126.78	14,853,495.88
Cash paid to acquire fixed assets, intangible assets and other long-term assets	93,006,246.14	87,152,430.25	7,118,379.86	5,040,050.62
Cash paid for				

investment				
Net increase of pledged loans				
Net cash paid to acquire subsidiaries and other business units				
Other cash payments relating to investing activities				
Subtotal of cash outflows from investing activities	93,006,246.14	87,152,430.25	7,118,379.86	5,040,050.62
Net cash flows from investing activities	-92,941,446.84	-77,249,154.70	7,968,746.92	9,813,445.26
III. Cash Flows from Financing Activities:				
Cash received from capital contributions				
Including: Cash received from minority shareholder investments by subsidiaries				
Cash received from borrowings				
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash inflows from financing activities				
Repayment of borrowings			5,000,000.00	5,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	82,296,583.50	82,296,583.50	82,608,627.58	82,608,627.58
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash payments relating to financing activities				
Sub-total of cash outflows from financing activities	82,296,583.50	82,296,583.50	87,608,627.58	87,608,627.58

Net cash flows from financing activities	-82,296,583.50	-82,296,583.50	-87,608,627.58	-87,608,627.58
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents	19,847,891.24	109,657,609.40	82,399,396.44	46,858,567.80
Add: Opening balance of cash and cash equivalents	643,231,404.42	480,737,398.56	361,051,750.67	279,382,070.44
VI. Closing balance of cash and cash equivalents	663,079,295.66	590,395,007.96	443,451,147.11	326,240,638.24

Statement of Changes in Owners' Equity (Consolidated)

Prepared by: ANHUI GUJING DISTILLERY COMPANY LIMITED For the first half of 2011 Unit: (RMB) Yuan

Items	Reporting period										Last year									
	Equity attributable to owners of the Company								Minority interests	Total owners' equity	Equity attributable to owners of the Company								Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others			Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others		
I. Balance at the end of the previous year	235,000,000.00	336,039,042.92			97,283,190.70		381,153,314.20			1,049,475,547.82	235,000,000.00	326,064,758.92			69,977,281.49		176,955,910.52			807,997,950.93
Add: change of accounting policy																				
Correction of errors in previous periods																				
Other												628,000.00			63,118.44		-67,362.48			623,755.96
II. Balance at the beginning of the year	235,000,000.00	336,039,042.92			97,283,190.70		381,153,314.20			1,049,475,547.82	235,000,000.00	326,692,758.92			70,040,399.93		176,888,548.04			808,621,706.89
III. Increase/ decrease of amount in the year ("-" means decrease)							205,697,478.86			205,697,478.86		9,346,284.00			27,242,790.77		204,264,766.16			240,853,840.93

(I) Net profit							287,947,478.86			287,947,478.86							313,757,556.93			313,757,556.93
(II) Other comprehensive incomes																				
Subtotal of (I) and (II)							287,947,478.86			287,947,478.86							313,757,556.93			313,757,556.93
(III) Capital paid in and reduced by owners												9,916,284.00								9,916,284.00
1. Capital paid in by owners																				
2. Amounts of share-based payments recognized in owners' equity																				
3. Others												9,916,284.00								9,916,284.00
(IV) Profit distribution							-82,250,000.00			-82,250,000.00					27,242,790.77		-109,492,790.77			-82,250,000.00
1. Appropriations to surplus reserves															27,242,790.77		-27,242,790.77			
2. Appropriations to general risk provisions																				

3. Appropriations to owners (or shareholders)							-82,250,000.00			-82,250,000.00							-82,250,000.00			-82,250,000.00
4. Other																				
(V) Internal carry-forward of owners' equity																				
1. New increase of capital (or share capital) from capital public reserves																				
2. New increase of capital (or share capital) from surplus reserves																				
3. Surplus reserves for making up losses																				
4. Other																				
(Ⅵ) Specific reserve																				
1. Withdrawn for the period																				
2. Used in the period																				
(Ⅶ) Other												-570,000.00								-570,000.00
IV. Closing balance	235,000,000.00	336,039,042.92			97,283,190.70		586,850,793.06			1,255,173,026.68	235,000,000.00	336,039,042.92			97,283,190.70		381,153,314.20			1,049,475,547.82

Statement of Changes in Owners' Equity (the Company)

Prepared by: ANHUI GUJING DISTILLERY COMPANY LIMITED For the first half of 2011 Unit: (RMB) Yuan

Items	Reporting period								Last year							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	235,000,000.00	288,262,657.08			92,180,930.43		322,176,816.26	937,620,403.77	235,000,000.00	288,184,010.28			64,938,139.66		159,241,699.35	747,363,849.29
Add: change of accounting policy																
Correction of errors in previous periods																
Other																
II. Balance at the beginning of the year	235,000,000.00	288,262,657.08			92,180,930.43		322,176,816.26	937,620,403.77	235,000,000.00	288,184,010.28			64,938,139.66		159,241,699.35	747,363,849.29
III. Increase/ decrease of amount in the year ("-" means decrease)							21,135,979.87	21,135,979.87		78,646.80			27,242,790.77		162,935,116.91	190,256,554.48
(I) Net profit							103,385,979.87	103,385,979.87							272,427,907.68	272,427,907.68
(II) Other comprehensive incomes																
Subtotal of (I) and (II)							103,385,979.87	103,385,979.87							272,427,907.68	272,427,907.68

(III) Capital paid in and reduced by owners																
1. Capital paid in by owners																
2. Amounts of share-based payments recognized in owners' equity																
3. Others																
(IV) Profit distribution							-82,250,000.00	-82,250,000.00					27,242,790.77		-109,492,790.77	-82,250,000.00
1. Appropriations to surplus reserves													27,242,790.77		-27,242,790.77	
2. Appropriations to general risk provisions																
3. Appropriations to owners (or shareholders)							-82,250,000.00	-82,250,000.00							-82,250,000.00	-82,250,000.00
4. Other																
(V) Internal carry-forward of owners' equity																
1. New increase of capital (or share capital) from capital public reserves																
2. New increase of capital (or share capital) from surplus reserves																
3. Surplus reserves for making up losses																

4. Other																
(Ⅵ) Specific reserve																
1. Withdrawn for the period																
2. Used in the period																
(Ⅶ) Other										78,646.80						78,646.80
IV. Closing balance	235,000,000.00	288,262,657.08			92,180,930.43		343,312,796.13	958,756,383.64	235,000,000.00	288,262,657.08			92,180,930.43		322,176,816.26	937,620,403.77

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

For the six months ended 30 June 2011

（All amounts are expressed in RMB Yuan unless otherwise stated）

I. Company Profile

1. Company history

Anhui Gujing Distillery Company Limited ("the Company") was registered in the People Republic of China on 30 May 1996.

The Company has been issued 60,000,000 domestic listed foreign shares ("B" shares) in June 1996 and 20,000,000 ordinary shares ("A shares) on September 1996, ordinary shares are listed in national and par value is one yuan per share. Those A share and B share are listed in Shenzhen Stock exchange.

On May 29, 2006, a shareholder meeting was held to discuss and approval a program of equity division of A share, the program was implement in June 2006. After implementation, all shares are outstanding share, which include 147,000,000 shares with restrict condition on disposal, represent 62.55% of total equity, and 88,000,000 shares without restrict condition on disposal, represent 37.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on June 27, 2007, 11,750,000 outstanding shares with restrict condition on disposal are listed in stock market on June 29, 2007. Up to that day, outstanding shares with restrict condition on disposal are 135,250,000, representing 57.55% of total equity, the share without restrict condition are 99,750,000, representing 42.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on July 17, 2008, 11,750,000 outstanding shares with restrict condition on disposal are listed in stock market on July 18, 2008. Up to that day, outstanding shares with restrict condition on disposal are 123,500,000, representing 52.55% of total equity, the share without restrict condition are 111,500,000, representing 47.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on July 24, 2009, 123,500,000 outstanding shares with restrict condition on disposal are listed in stock market on 29 July, 2009. Up to that day, the Company's all shares are all tradable.

Legal representative of the Company: Yu Lin

Registration address of the Company: Gujing Town, Bozhou City, Anhui Province

Parent company of the Company: Anhui Gujing Group Co., Ltd. ("the Gujing Group" hereinafter)

2. The industry

The Company belongs to the food manufacturing industry.

3. Scope of business

The approved business of the Company including procurement of grain (operating with business license), manufacture of distilled spirits, beer, red wine, wine distilling facilities, packaging material, bottles, alcohol, feeds, grease (limited to byproducts from wine manufacture), and research and development of high-tech, biotechnology development, agricultural and sideline products deep processing, as well as sale of self-manufacturing products.

4. Main product

The company's main product is grain distilled spirit.

5. Explanation on changes in main business, significant changes in equity, occurrence of significant merger and reorganization during the reporting period

There are no changes in main business, occurrence of significant merger or reorganization for the Company during the reporting period.

The Company's parent company— Gujing Group— reduced to hold 8 million shares of the Company from 9 Aug. 2010 to 17 Aug. 2010, after which the shareholding proportion of Gujing Group changed from 61.15% to 57.75%.

II. Summary of significant accounting policies and estimates as well as correction of previous errors

1. Bases for preparation of the financial statements

The financial statements of the Company have been prepared on the going concern basis with reference to the actual occurrence of transactions and events and in accordance with the China Enterprise Accounting Standards (CAS) issued by the Ministry of Finance on 15 Feb. 2006 and the significant accounting policies and estimates as set out in part two of this FS notes.

2. Declaration of Compliance with the Enterprise Accounting Standards

The financial statements of the Company have been prepared in accordance with the Enterprise Accounting Standards to present truly and completely the financial position, result of operation and cash flow and the relevant information of the Company.

3. Accounting year

The Company employs a period of calendar days from 1 Jan. to 31 Dec. each year as accounting year.

4. Presentation currency

The Company's presentation currency is Renminbi ("RMB").

5. Accounting treatment of the business combination that is under the same control and not under the same control.

(1) Accounting treatment of the business combination that is under the same control

Those assets and liabilities obtained by the Company during the business combination should be recognized in the carrying value of the equity of the merged party on the merger date. The difference between the carrying amount of the net assets obtained and carrying amount of the merger consideration (or total par value of issued shares) paid shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(2) Accounting treatment of the business combination that is not under the same control

The consideration paid for the business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill; Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, should be review the fair value of acquiree's identifiable assets, liabilities and contingency liabilities , as well as the computation of combination cost, after reassessment, the difference shall be recognized in profit or loss at the current period.

6. Basis of Consolidated Financial Statement

(1) Consolidation Scope

The consolidated financial statements prepared are in accordance with the No. 33 Enterprise Accounting Standards – Consolidated Financial Statement issued in Feb. 2006. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries directly controlled or indirectly controlled by the Company as well as units with special purpose. Control is achieved where the Company has the power to govern the financial and operating policies of an invested enterprise so as to obtain benefits from its operating activities.

If there is evidence provide that the invested company is not controlled by holding company, the invested company would not be included in the consolidation scope.

(2) Purchase and sale of equities of subsidiaries

The effective purchase day and sales day shall be recognized after transferring the related risks and reward of ownership of equities of subsidiaries. For the subsidiaries not under the same control from business combination, the results of operation and cash flow of subsidiaries before disposal or after acquired the share have been included in the consolidated income statement and consolidated cash flow statement; for the subsidiaries under the same control from business combination, the operation results and cash flow from beginning of combination period to consolidation date have been included in the consolidated income statement and consolidated cash flow statement and disclosed in statement individual, the comparative amount in consolidation statement has been adjusted accordingly.

For the long-term equity investment gained from acquiring minority equity shares of subsidiaries, on the date of preparing consolidation statement, the difference between the value of the new long-term equity investment and the value of subsidiary's net assets calculated by proportion of shareholdings from acquiring date (or combination date) shall be adjusted to owners' equity(capital reserve), if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(3) Adjusting the subsidiary' financial statement when different accounting policy and reporting period existing between the subsidiaries and the parent company.

If the subsidiary has different accounting policy and reporting period with the parent company, the Company has made relevant adjustment in the subsidiary' financial statement according to the parent company's accounting policy while preparing its consolidated financial statement; For those subsidiary acquired not under the same control, the Company has made relevant adjustment in the subsidiary' financial statement according to the fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary on the acquisition date.

(4) Consolidation method

All significant accounts and transactions between the Company and the subsidiary and those between the subsidiaries are offset while preparing consolidated financial statement.

The minority interest in the net assets of merged subsidiary shall be individually listed under the owners' equity in the consolidated financial statement.

7. Standard of cash and cash equivalents

Cash equivalents are short-term (normally with a maturity date within three months from the date of acquisition), high-liquidity investments that are readily convertible to known amounts of cash and low-risk of changes in value.

8. Foreign currency business and translation of foreign currency financial statement

(1) Foreign currency transactions

The Company's foreign currency transactions are converted into presentation currency (RMB) at spot exchange rates of transaction date (usually refer to the middle price of the foreign exchange rate of transaction date).

On the balance sheet date, those foreign currency monetary items within the financial statement shall be converted at the spot rates on the balance sheet date. The exchange difference caused by the change in the exchange rate from the initial recognized date and the current balance sheet date shall be included in current profits and losses. Those foreign currency non-monetary items measured by historical cost shall still be converted at the spot exchange rate of transaction date, without changing its presentation currency amount. Those foreign currency non-monetary items measured by fair value shall be converted at the spot exchange rate on the day when the fair value can be determined, the difference between amount after converted into presentation currency and the original presentation currency amount shall be treated as the changes in the fair value and recognized in the current profits and losses.

(2) Translation of foreign currency financial statement

① Those items of assets and liabilities in the balance sheet shall be converted at the spot rate on the balance sheet date; Items of owners' equity other than undistributed profits shall be converted at the spot rate on the transaction date.

② Those items of income and expenses in income statement shall be converted at the spot rate on the transaction date.

The difference caused from the above translation method shall be individually listed under the owners' equity in the balance sheet.

③ The items in cash flow statement shall be converted at the spot rate on the occurrence date of the cash flow. And the affected amount due to the changes of exchange rate shall be as the adjusted item and individually listed in the cash flow statement.

9. Financial Instruments

(1) Classification of financial assets and financial liabilities

The Company classified its financial assets into four categories in accordance with the investment purpose and economic substance, which are financial assets measured at fair value and the change in fair value recorded into current profits and losses, held-to-maturity investments, loans and receivables, available-for-sale financial assets.

The financial liabilities are divided into financial liabilities measured at fair value and the change in fair value recorded into current profits and losses and other financial liabilities according to the economic substance.

① Financial assets or financial liabilities measured at fair value and the change in fair value recorded into current profits and losses: including transactional financial assets or financial liabilities and financial assets or financial liabilities designated by the Company to be measured at fair value and the change in fair value recorded into current profits and losses.

Transactional financial assets or financial liabilities refer to the financial assets or financial liabilities meeting one of the following conditions:

a. The main purpose of acquiring the financial assets or bearing the financial liabilities is to sell or repurchase in the near term; or

b. Part of a portfolio of identified financial instruments that are managed together and there is evidence that the Company manage them under the pattern of short-term profit-gaining recently; or

c. A derivative instrument (except for a derivative instrument that is a designated and effective hedging instrument, a derivative instrument of financial guarantee contract, a derivative instrument that connected with and settled by equity instrument, whose price could not be quoted in active market and the fair value could not be measured reasonably).

Financial assets or financial liabilities designated by the Company to be measured at fair value and the change in fair value recorded into current profits and losses refer to the financial assets or financial liabilities meeting one of the following conditions:

a. The designation can eliminate or significantly reduce the inconsistent situation of the relevant gains and losses on the aspects of recognition and measurement caused by adopting different measurement basis of financial assets and financial liabilities;

b. The official documents on Company risk management or investment strategy has stated that the financial assets portfolio, the financial liabilities portfolio, or the financial assets and financial liabilities portfolio are managed and evaluated on the basis of fair value and reported to key management person.

② Held-to-maturity investments: refer to non-derivative financial assets with fixed maturity date, fixed or determinable payments that enterprise has the clear intention and ability to hold to maturity. Mainly include fixed-rate national bonds, floating-rate corporate bonds and etc. that the Company's management has a clear intention and ability to hold to maturity.

③ Receivables: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables of the Company mainly refer to the Company's accounts receivable and other accounts receivable formed by sales of goods or rendering of services.

④ Available-for-sale financial assets: are those non-derivative financial assets that are designated as available for sale at initial recognition, and those financial assets not divided into financial assets measured at fair value and the change in fair value recorded into current profits and losses, held-to-maturity investments, loans and receivables.

⑤ Other financial liabilities: are those financial liabilities not divided into financial liabilities measured at fair value and the change in fair value recorded into current profits and losses.

(2) Measurement of financial assets and financial liabilities

The Company’s financial asset or financial liability is recognized at its fair value initially. For financial assets or financial liabilities measured at fair value and the change in fair value recorded into current profits and losses, relevant transaction costs that are directly recorded into current profits and losses; for other types of financial assets or financial liabilities, relevant transaction costs are recorded into the initial recognized amount.

Subsequent measurement of financial assets and financial liabilities by the Company:

① Financial assets or financial liabilities measured at fair value and the change in fair value recorded into current profits and losses shall be made subsequent measurement at its fair value, the gains and losses from the change of fair value and termination of recognition shall be recorded into current profits and losses.

② Held-to-maturity investments shall be made subsequent measurement at amortized cost using the effective interest method, the gains and losses from termination of recognition, depreciation or amortization shall be recorded into current profits.

③ Receivables shall be made subsequent measurement at amortized cost using the effective interest method, the gains and losses from termination of recognition, depreciation or amortization shall be recorded into current profits.

④ Available-for-sale financial assets shall be made subsequent measurement at its fair value, the gains and losses from the change of fair value shall be recorded into capital reserve. Disposal of available-for-sale financial assets, the difference between consideration received and carrying value of the financial assets included into investment profits or losses account; at the same time, turn out the disposal amount corresponding to the cumulative amount of changes in fair value that originally directly recorded into owners' equity investment, and recorded into investment profits or losses account. The impairment losses of such financial assets and exchange differences of foreign monetary financial assets shall be recorded into current profits and losses. Interest received and cash dividends declared to distribute by the invested company during the holding period of such financial assets shall be recognized into investment income.

⑤ Other financial liabilities that connected with and settled by equity instrument, whose price could not be quoted in active market and the fair value could not be measured reasonably shall be made subsequent measurement by cost.

The financial guarantee contract is not belong to financial liabilities designated by the Company to be measured at fair value and the change in fair value recorded into current profits and losses, as well as the loan commitment is not belong to financial liabilities designated by the Company to be measured at fair value and the change in fair value recorded into current profits and losses and for lending at the lower-than-market rate, after initial recognition, which shall be made subsequent measurement at the higher of：(a) Amount recognized by < Enterprise Accounting Standard 13—Contingent events>；(b) Balance of initial recognition amount after deducting the accumulated amortization refer to <Enterprise Accounting Standard 14—Revenue>.

Other financial liabilities shall be made subsequent measurement at amortized cost using the effective interest method, the gains and losses from termination of recognition or amortization shall be recorded into current profits and losses.

⑥ Fair value：it refers to the amount, at which both parties to a transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. In a fair transaction, both parties to it shall be enterprises in continuous operation, and do not plan or do not need to carry out any liquidation, significantly reduce their operational scale or carry out transactions notwithstanding the unfavorable conditions they face. As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. If there is no active market, company should adopt valuation techniques to determine the fair value.

⑦ The post-amortization cost of a financial asset or financial liability： it refers the balance of the initially recognized amount of the financial asset or financial liability after deducting the already paid principal, adding or deducting the accumulative amount of amortization incurred from amortizing the balance between the initially recognized amount and the amount of the maturity date by adopting the actual interest rate method, and deducting the impairment losses that have actually incurred.

⑧ The actual interest rate method: it refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability. When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (including the right to repay the loan ahead of schedule, call options, similar options and etc.), and the future credit losses shall not be taken into account.

(3) Transfer and termination of recognition of financial assets

① Where a financial asset satisfies any of the following requirements, the recognition of it shall be terminated:

a. Where the contractual rights for collecting the cash flow of the said financial asset are terminated; or

b. Where the financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset have been transferred to the transferee; or

c. Where the financial asset has been transferred but the enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, and the enterprise gives up its control over the financial asset.

② If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the Company recorded the difference between the amounts of the following two items into the current profits and losses:

a. The book value of the transferred financial asset;

b. The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities.

③ If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be included into the current profits and losses:

a. The book value of the portion whose recognition has been stopped;

b. The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equity which is corresponding to the portion whose recognition has been stopped.

④ If the transfer of partial financial asset doesn’t satisfy the conditions to stop the recognition, the Company shall continue to recognize the financial assets and recognized the consideration it receives as a financial liability. For those financial assets transferred by adopting continuous involvement method, the Company should recognize one financial asset and one financial liability, according to the extent of the transferred financial assets under continuous involvement.

(4) Impairment test method of financial assets and withdrawal method of impairment provision

① If the Company have the following evidence to prove the impairment of financial assets, should recognize the provision of impairment:

a. A serious financial difficulty occurs to the issuer or debtor;

b. The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

c. The creditor makes any concession to the debtor which is in financial difficulties due to economic or legal factors, etc.;
d. The debtor will probably become bankrupt or carry out other financial reorganizations;
e. The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;
f. It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially recognized and such decrease can be measured.
g. Any seriously disadvantageous change has occurred to technical, market, economic or legal environment, etc. wherein the debtor operates its business, which makes the investor of an equity instrument unable to take back its investment;
h. Where the fair value of the equity instrument investment drops significantly or not contemporarily;
i. Other objective evidences showing the impairment of the financial asset.
② On balance sheet date, the Company should adopt different impairment test method for different category financial assets, and recognize provision for impairment:
a. Held-to-maturity investments： on the balance sheet date, if there are objective evidence of impairment for the investment, the Company has recognized the impairment loss by the balance between the asset's carrying amount and the present value of estimated future cash flows.
b. Available-for-sale financial assets： on the balance sheet date, the Company analyzes the impairment evidences of the financial assets, judging whether the fair value of the financial asset continued to decline. Generally, if the fair value of financial assets had serious decline, after consideration of all relevant factors, anticipating this is non-temporary, then identified the available-for-sale financial assets has been impaired, and recognized the impairment loss. If the fair value of the available-for-sale financial asset has a decline, when recognizing the impairment losses, the Company shall transferred the accumulated losses from the decrease in fair value that originally directly recorded in owners' equity to the assets impairment losses account.

10. Accounts receivable

(1) Accounts receivable with significant amount and being individually withdrawn bad debts provision
The judgment basis and amount of significant amount: on the balance sheet date, the Company considered the amount of individual accounts receivable more than RMB 2 million (including 2 million) as accounts receivable with significant amounts.
Withdrawal method of bad debts provision for accounts receivable with significant amount and being individually withdrawn bad debts provision: when making individual impairment test on accounts receivable with significant amount, if there is objective evidence that the accounts receivable have been impaired, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows, then withdraw the bad debts provision.
If the accounts receivable with significant amount has not been impaired under the individual test, which shall be withdrawn the bad debts provision by aging group as the credit risk group. Please refer to Note II. 10. (2)

(2) Accounts receivable withdrawn bad debts provision by group

Type of group	Recognition basis for group	Withdrawal method
Aging group	Age	Aging analysis

Withdrawing the bad debts provision by aging analysis in the group

Age	Withdrawal proportion for accounts receivable(%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year（including 1 year）		
Of which：within 6 months	1.00	1.00
6 months to 1 year	5.00	5.00
1-2 years	10.00	10.00
2-3 years	50.00	50.00
Over 3 years	100.00	100.00

(3) Accounts receivable with insignificant amount but being individually withdrawn bad debts provision

Reason for individually withdrawing the bad debts provision: high credit risk.

Withdrawal method of bad debts provision: when making individual impairment test on accounts receivable with insignificant amount but high credit risk, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows, then withdraw the bad debts provision.

(4) Other accounts receivable (including notes receivable, advance to customers, interest receivable, long-term accounts receivable and etc.) shall be withdrawn the bad debts provision basing on the difference of the book values higher than the present value of future cash flows

(5) The accounts receivable among the companies in the consolidated scope shall not be withdrawn the bad debts provision.

11. Inventory

(1) Category of inventory:

Inventory of the Company refers to enterprises' hold-for-sale finished goods or merchandise, product in process, and materials consumed in the production process or rendering of services, etc. in the daily activities, which includes material in transit, raw materials, goods in process, merchandise on hand, merchandise issued, entrusted processing materials and circulating materials, etc.

(2) Valuation methods of inventories input and output:

The issue of inventories is calculated by the weighted average method; and the routine accounting of inventory is calculated by actual cost.

(3) Recognition basis of net realizable value and withdrawal method of falling price provision for inventories:

① Recognition of net realizable value for inventories:

Those inventories of merchandise, such as finished goods, commodities and materials used for directly sale, the net realizable value is referred to the estimated selling price minus the estimated selling expenses and related tax and fees in normal operating process. Those inventories of materials needing being processed, the net realizable value is referred to the estimated selling price of products minus the estimated finished cost and estimated selling expenses and related tax and fees in normal operating process. The net realizable value of the inventory held to exercising sales contract or service contract is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realizable value of the excess is based on general selling prices.

② Withdrawal method of falling price provision for inventories:

On the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable value is lower than costs, falling price provision of inventories shall be made. Under normal circumstances, the Company withdraws the falling price provision in according to individual inventory items, but for large quantity and low-unit-price inventories, falling price provision of inventories shall be made based on the category of inventories; for those inventories that relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line, their falling price provision of inventories shall be consolidated.

After withdrawing the depreciation reserves for inventories, if the factors, which cause any write-down of the inventories, have disappeared, the amount of write-down shall be recovered and reversed from the original amount of depreciation reserve for inventories. The reversed amount shall be included in the profits and losses of the current period.

(4) Inventory system for inventories: Perpetual inventory system.

(5) Amortization method of the low-value consumption goods and packing articles

The Company shall amortize the low-value consumption goods and packing through the one-off amortization method.

12. Long-term equity investment

Long-term equity investment including the equity investments held by the Company, who can able to exercise control, joint control or significant influence in the invested entity, or the Company do not have control, joint control or significant influence on the invested entity, and there is no active market quotation, the fair value measurement should not reliable.

(1) Initial measurement

The Company separates the following two cases of long-term equity investment in the measurement:

① Long-term equity investment obtained through business combinations:

a. For obtaining subsidiary under common control, the consideration cost can be paid by cash payment, non-monetary assets transfer or taking over the subsidiary’s liability. Under this situation, the investment cost is carrying amount of owners’ equity of the subsidiary on the merger date. The difference between the carrying amount of the net assets obtained and investment cost of long-term equity investment shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. In the case of company issues equity securities as the consideration, the investment cost is carrying amount of owners’ equity of the subsidiary on the merger date. If the book value amount of the issued shares is deemed as the capital, the difference between the carrying amount of the issued shares and investment cost of long-term equity investment shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. All direct expenses related to the merger, including the auditor fee, evaluation expense, legal service expense, etc will be accrued to the current profit and loss.

b. For obtaining subsidiary not under common control, the cost of long-term equity investment is fair value of assets paid, liabilities undertaken by the Company, or the fair value of equity bonds issued. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill, Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, the difference shall be recognized in profit or loss for the current period (non-operating income). The costs related to business combinations, including the commission fees for audit, law services, assessment & consultancy services and other relevant expenses occurred in the business combination by the combining party, shall be recorded into current profits and losses upon their occurrence; the transaction expense from the issuance of equity securities or bonds securities which are as consideration for combination by the combining party, should be recorded as the initial amount of equity securities and bonds securities.

For business combination not under the same control realized by two or more transactions of exchange, which was implemented relevant accounting treatment by separating the individual financial statement and consolidated financial statement:

(I) In the individual financial statement, the investment cost was the sum of the book value of such equity investment of acquiree before the purchasing date and the newly added investment cost on the purchasing date; while if the equity of acquiree held before purchasing date involves any other comprehensive income, which shall be transferred into current investment income together with other relevant comprehensive income (i.e. the change in the fair value of available-for-sale financial assets transferred to capital reserves, the same below) when disposing such investment.

(II) In the consolidated financial statement, the equity of acquiree held before purchasing date shall be re-measured at the fair value of such equity on the purchasing date, and the balance between its fair value and book value shall be recorded into current investment income; while if the equity of acquiree held before purchasing date involves any other comprehensive income, which shall be transferred into current investment income together with other relevant comprehensive income. The acquirer shall disclose its amounts of the fair value of equity of acquiree held before purchasing date, relevant profits or losses from the re-measurement at the fair value in the notes to financial statement.

② Except for the long-term equity investments formed by the merger of enterprises, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows:

a. The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses. But if the actual payment contains cash dividend that has not been received but has been announced, that should be accounted as receivable items separately.

b. The investment cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

c. Long-term equity investment made by the investors, the values agreed in the investment contracts or agreements will be deemed as the initial investment cost, except that the contracts or agreements provide that the values are not fair.

d. Long-term equity investment is acquired by exchange of non-monetary assets, if this transaction has commercial substance or the fair values of exchange assets can be reliably measured, the fair values of these assets and relevant taxes will be deemed as the investment cost;

the difference between the fair values of the assets and book values will be record into the current profit and loss; if the non-currency asset exchange does not satisfy these two conditions mention above, the book values of the assets and relevant taxes will be deemed as the investment cost.
e. Long-term equity investment, which is acquired by the debt restructuring, the fair values of the obtained equities will be deemed as the investment cost; the difference between the investment cost and book values of credit will be record into the current profit and loss.
(2) Subsequent measurement and recognition of gains or losses
The cost method is employed to calculate the long-term equity investment of subsidiaries and will be adjusted in accordance with the equity method in the preparation of the consolidated financial statements.
The Company uses cost method for the following conditions: a long-term equity investment where the investing enterprise does not have joint control or significant influence over the investee, the investment can't be quoted in an active market and its fair value can't be reliably measured.
The Company uses equity method for the following conditions: a long-term equity investment where the investing enterprise has joint control or significant influence over the investee.
a. When using cost method, increase or recovery of investment need to adjust the cost of long term equity investment. When gaining cash dividends or profit distributions declared by the investee, the return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.
b. When measured by adopting equity method, the investment profits or losses at current period shall be the attributable share of the net profits or losses of the investee, and adjust the carrying amount of the investment accordingly.
The Company shall recognize current period investment profits or losses following the attributable share of the net profits or losses of the investee. When recognizing the attributable share of the net profits or losses of the investee, basing on the investee's book value of net profit, if the investee used inconsistent accounting policies with the Company, the Company shall withdraw the depreciation amount and amortization amount basing on the fair value of fixed assets and intangible assets of the investee on the investment acquired date, and the Company shall adjust the affected net profits of the investee with the recognized amount of impairment provision of fixed assets basing on the fair value of relevant assets on the investment acquired date, and offset the internal transaction profit and loss between the Company and the joint enterprises or the jointly-run enterprises, and then recognize the investment profit or loss on this basis. The internal transaction profit and loss between the Company and the joint enterprises or the jointly-run enterprises, refer to the < Enterprise Accounting Standard 8--Impairment of assets>, belong to asset impairment loss, and recognized in full.
The Company shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero (unless the investing enterprise has the obligation to undertake extra losses). If the invested entity realizes any net profits later, the investing enterprise shall, after the amount of its attributable share of profits exceeding its attributable share of the un-recognized losses, resume the book value of the long-term equity and long-term investment according to attributable un-recognized losses.
Those long term equity investment on joint venture and associate company held before first

executive date, if their is relevant investment debit difference, according to residual time to amortize in straight line method, and the amortization amount shall be recognized in current profits and losses account.

(3) Recognition basis of joint control and significant influences on investee

① The existence of jointly control on investee is usually evidenced in one or more of the following ways: A. any joint venture cannot control the jointly controlled company's operation alone; B. the strategy decision of the jointly controlled company, should be agreed by each venture parties; C. the venture parties may appoint one of them to manage the daily activities of the joint venture, but executing the management right in the scope of financial and operation strategies unanimously agreed by the venturers. When the investee is under legal reconstruction or bankrupt, or the ability of transferring funds to investors strictly restricted in long time, the venturers cannot exercise joint control to the investee generally. However, if the existence of joint control can be proved, the venturers still adopt equity method of long term equity investment principle to account.

② The existence of significant influence by an investor is usually evidenced in one or more of the following ways: A. representation on the board of directors or equivalent governing body of the investee; B. participation in policy-making processes, including participation in decisions about dividends or other distributions; C. material transactions between the investor and the investee; D. dispatch of managerial personnel; or E. provision of essential technical information.

(4) Method of impairment test of long term equity investment and provision for impairment

On the balance sheet date, the Company shall assess the long term equity investment one by one, according to the investee's operation strategy, legal environment, market demand, industry and profitability etc, to decide whether there are impairment indicators. When the recoverable amount of long term equity investment is lower than its book value, the differences should be recognized as provision for impairment. Once the impairment loss was recognized, it shall never be reversed in the future accounting periods.

13. Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings.

(1) The depreciation and amortization method for investment property by adopting cost model

The Company's all investment properties are subsequently measured by adopting cost model. The Company withdrew depreciation or amortization on the use right of building and land according to its expected useful life and net residual rate. The expected useful life, net residual rate and annual depreciation rate of Company's investment property as follow:

Categories	Expected residual rate (%)	Expected useful life	Annual depreciation (amortization) rate (%)
Houses and buildings	3-5	8-35 years	2.7-12.1
Land use rights	0	50 years	2

(2) Withdrawal basis of impairment provision for investment property by adopting cost model

On the balance sheet date, the evaluation criteria should base on the lower one between book value and recoverable amount. If the recoverable amount is lower than the book value, the difference of which shall be the impairment provision. If the value of the impaired investment property recovered, the withdrawn impairment loss in prior period cannot be reversed.

14. Fixed assets

(1) Recognition of fixed assets:

Fixed assets refer to high-unit-value tangible assets held for production of goods or rendering of services, rental, or operation purpose as well as useful lives more than one accounting year. Fixed assets shall be recognized by actual costs incurred, if they meet the following conditions:

① The economic benefits related to fixed asset probably flows to the enterprise;

② The cost of fixed asset may be reliably measured.

The subsequent expenses related with the fixed asset, if they meet the above recognition condition to fixed asset, which would be recorded in the cost of fixed asset, otherwise, they would be recorded into current profits and losses upon occurrence.

(2) The depreciation method of fixed assets

Straight-line method is in used to calculate the depreciation of fixed assets.

The estimated useful lives, expected residual value and annual depreciation rate of different kinds of fixed assets are listed as follows:

Categories	Estimated useful life	Estimated residual value rate (%)	Estimated annual depreciation rate (%)
Houses and buildings	8-35 years	3-5	2.7-12.1
Machineries and equipments	8-10 years	3-5	9.7-12.1
Transportation equipments	8 years	3	12.1
Office equipments and others	8 years	3	12.1

(3) Method of impairment test and provision for impairment loss of fixed assets:

On the balance sheet date, the Company assess all types of fixed assets whether there is any indication that an asset may be impaired, where the recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

There may be an impairment of fixed assets when one of the following signs occurs:

① The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;

② The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;

③ The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;

④ Any evidence shows that the assets have become obsolete or have been damaged substantially;

⑤ The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;

⑥ Any evidence in the internal report of the enterprise shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower than the excepted amount, etc.; and

⑦ Other evidence indicates that the impairment of assets has probably occurred.

(4) Recognition basis and pricing method of fixed assets by finance lease

The Company recognized a lease that has transferred in substance all the risks and rewards related to the ownership of an asset as finance lease. The cost of fixed asset acquired by finance lease shall be recognized by the lower one between the fair value of the asset on the inception date of such finance lease and the current value of the lowest rental. The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets to withdraw the depreciation of leased assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

15. Recognition and measurement of construction in progress

(1) Category of construction in progress

The construction in progress shall be classified by the approved project.

(2) The standard and time point of the construction in progress transferred to fixed assets

Construction in progress is transferred to fixed assets by actual cost of construction when the project is substantially ready for its intended use. The project is in condition of ready for used but not handled the final account would be transferred to fixed assets in its estimate value firstly, and adjust the temporary estimated value after handling the final account, but would not adjust depreciated value that have been depreciated.

(3) Method of impairment test and provision for impairment loss of construction in progress:

On the balance sheet date, the Company shall assess the overall construction in progress, if there is evidence providing that the value of project was impaired, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods. The construction in progress shall be made impairment test if one or more of the following situation existed:

① The project has been suspended for a long time, and it is expected to resume within the next 3 years;

② The project has fallen behind no matter in function or technology, which has brought significant uncertainty to the economic benefits of the enterprise;

③ Other evidence indicates that the impairment of the project has probably occurred.

16. Borrowing costs

(1) Recognition of capitalization of borrowing costs and capitalization period:

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, which shall not be capitalized and recorded into the costs of relevant assets unless they simultaneously meet the following requirements:

① The capital expenditures have been incurred.

② The borrowing costs have been incurred.

③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

Other borrowing costs, discount or premium and difference of foreign exchange, should be recognized in the current profit and loss account.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Borrowing costs should be recognized as an expense in the subsequent period.

(2) Measurement of capitalized borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

17. Intangible assets

(1) Measurement of intangible asset

Intangible asset are recognize initially at cost.

(2) Useful life and amortization of intangible asset

Intangible asset is judged by the comprehensive factors, such as its contractual right, condition in same industry, history experience, and demonstration of expert, etc., if the result shows that it can bring future economic benefit inflow to company, which can be recognized as finite useful life assets. Otherwise, the asset would be recognized as infinite useful life assets.

① To estimate the useful life of finite useful life asset need consider the following factors: a. The life cycle of the product produced by the assets, and the information of similar asset; b. The current situation of craftwork and technology, and the estimate of future development trend; c. The market demand of the product produced by the asset; d. The estimated action would be taken by competitor or potential competitor; e. The expense expected to maintain the assets to bring future economic benefits and the ability of the Company to pay for it; f. The relevant law restriction on control period of the asset or other similar restriction such as franchise, lease period; g. Relation with other assets' useful life that held by the Company.

② The intangible asset with finite useful years should be amortization on a systematic and rational basic according its economic benefit achievement plan. A straight line method would be used if the plan could not define.

(3) Method of impairment test and provision for impairment of infinite useful life asset

The Company shall check the useful life of intangible assets with uncertain useful life during each accounting period, if the result shows that the useful life is still uncertain, which shall be implemented the impairment test on the balance sheet date. The intangible asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

Impairment test for intangible assets shall be implemented if one or more the following conditions met:

A. The intangible asset has been replaced by other new technology, which caused significant adverse effect on its profitability.

B. The market value has declined in current period, and may not rise in the future residual period;

C. Other indication to prove that the carrying value higher than the recoverable value.

(4) The criterion to divide the research stage and the development stage of internal research and development project:

The expenditures on research stage for internal research and development project shall be recorded in current profits and losses upon their occurrence. The expenditures on research stage for internal research and development project shall not be recognized as an intangible asset unless it meets the following conditions simultaneously: ①It is feasible technically to finish intangible assets for use or sale; ② It is intended to finish and use or sell the intangible assets; ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and ⑤ The development expenditures of the intangible assets can be reliably measured.

18. Long-term deferred expenses

Long-term deferred expenses refer to general expenses with the apportioned period over one year (one year excluded) that have occurred but attributable to the current and future periods. Long-term deferred expense shall be recoded into book in the light of the actual expenditure, and amortized averagely within benefit period.

19. Estimated liabilities

(1) Recognition basis of estimated liabilities

The obligation such as external guaranty, pending litigation or arbitration, product quality assurance, layoff plan, loss contract, restructuring and disposal of fixed assets, pertinent to a contingencies shall be recognized as an estimated liabilities when the following conditions are satisfied simultaneously:

① That obligation is a current obligation of the Company;

② It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

③ The amount of the obligation can be measured in a reliable way.

Loss contracts and reorganization obligations of the Company shall be recognized as accrued liabilities when the above conditions are satisfied simultaneously.

(2) Measurement of estimated liabilities

The estimated liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Company shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. On balance sheet date, check the carry amount of accrued liabilities, and make adjustment to carry amount to reflect the optimum evaluation. The increase amount in carry amount of accrued liabilities cause by time process would be determined as interest fee.

(3) Recognition method of optimum evaluation amount

If the necessary payments have scopes, the optimum evaluation shall be determined based on the average amount between the upper and lower limit amount of scope ; if the necessary payments do not have such scopes, then the optimum evaluation shall be determined in the following method:

①If the contingent event is involved in an individual project, the optimum evaluation amount will be determined base on the most possible amount;

②If the contingent event is involved more than one project, the optimum evaluation amount shall be determined base on possible amount and occurrence probability. In case of all or part of payments about the confirmed liquidation liabilities are expected to be compensated by the third parties or other parties, and the compensation amounts are surely received, then such amounts shall be separately recognized as assets. The confirmed compensation amounts shall not exceed book values of confirmed liabilities.

20. Shares-based payment and equity instrument

(1) Category of share-based payment

The types of shares-based payment of the Company are: cash-settle and equity-settle.

①Cash-settled share-based payment

The measurement of cash-settle is according with the fair value of liability undertake by the Company, which is calculated base on the Company's share or other equity instrument.

The value of cash-settle share-based payment that could exercise immediately after award would be reckoned to relate cost or expense, and increase liability corresponds to it.

At each balance sheet date, a best estimated of situation of exercise cash-settled right that with waiting-period should be undertaken, and reckon cost or expense and increase liability which is on the base of service award by the Company, according to the fair value of company's liability.

② Equity-settled share-based payment

The measurement is base on the fair value of the equity instrument granted to employees.

The value of equity-settled payment that could be exercised immediately after award would be reckoned in relates cost and expense and increase capital reserves corresponds to it..

On each balance sheet date, a best estimated of amount of exercise equity-settled that with waiting-period should be undertaken, and reckon in cost or expense and capital reserves which is on the base of service award by the Company, according to the fair value of company's liability.

(2) Recognition method of the fair value of equity instruments

① For those shares granted to employees shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, simultaneously, taking into account the terms and conditions (exclude the vesting conditions of external market) upon which those equity instruments were granted.

② For those share options granted to employees, the market prices are not available in most circumstance. If there are no clauses and requirements of others similar trading options, the Company shall estimate the fair value of the share option granted using a valuation technique.

(3) Recognition basis of the best estimate of vesting equity instrument:

On each balance sheet date of waiting-period, the Company shall recognize an amount for the equity instrument during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

(4) Accounting treatment of share-based payment plan:

① As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. Re-measure the fair value of liabilities on every balance sheet date and settlement date before settlement, and record the change of fair value into profits and losses.

② As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

③ As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

④ As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

21. Revenue

Recognition principles and measurement method of revenue:

(1) Revenue from selling goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously:

① The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company;

② The Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;

③ The relevant amount of revenue can be measured in a reliable way;

④ The relevant economic benefits may flow into the enterprise; and

⑤ The relevant costs incurred or to be incurred can be measured in a reliable way.

(2) Rendering of services

①If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method. The term "percentage-of-completion method" refers to a method to recognize the revenues and expenses in the light of the stage of completion under a transaction concerning the providing of labor services

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

a. The amount of revenue can be measured in a reliable way;

b. The relevant economic benefits are likely to flow into the enterprise;

c. The schedule of completion under the transaction can be confirmed in a reliable way; and

d. The costs incurred or to be incurred in the transaction can be measured in a reliable way.

② If the Company can not, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

a. If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; or

b. If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

(3) Transfer of asset use right

The revenue from abalienating of right to use assets consists of interest revenue and royalty revenue, which may not be recognized unless the following conditions are met simultaneously:

①The relevant economic benefits are likely to flow into the enterprise; and

② The amount of revenues can be measured in a reliable way.

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate; or

The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

22. Government grants

(1) Recognition of government grants:

①The Company can meet the conditions for the government subsidies; and

②The Company can obtain the government subsidies.

(2) Category and accounting treatment of government grants:

① A government grant related to an asset shall be recognized as deferred income, when the assets is substantially ready for its intended use, evenly amortized to profit and loss over the useful lives of the related asset. Unamortized amount would be one-off recognized in profit and loss account when the asset is sold, transferred, discarded or damaged before its useful life.

② The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: (a) Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or (b) Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

(3) Measurement of government grants:

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount

(4) If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:
① If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and
② If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

23. Deferred income tax assets and deferred income tax liabilities

The Company uses balance sheet liability method in calculation of income taxes.
According the difference between carry amount of asset and liability and its tax base, apply tax rate to determine deferred income tax asset or liability according the predict period of recover asset or discharge liability.
(1) Recognition of deferred income tax assets
① The Company recognize the deferred income tax liability arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. However, it shall not recognize the deferred income tax assets arising from the initial recognition of assets or liabilities in a transaction which is simultaneously featured by the following:
a. This transaction is not business combination; and
b. At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible losses) be affected.
② For the deductible temporary difference relating to the investments of the subsidiary companies, associated enterprises and joint enterprises, the enterprise shall recognize the corresponding deferred income tax assets for those that meet the following requirements:
a. The temporary differences are likely to be reversed in the expected future; and
b. It is likely to acquire any amount of taxable income that may be used for deducting the deductible temporary differences.
③ For any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax asset shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.
(2) Recognition of deferred income tax liability
Except for the deferred income tax liabilities arising from the following transactions, an enterprise shall recognize the deferred income tax liabilities arising from all taxable temporary differences:
① The initial recognition of business reputation;
② The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:
a. The transaction is not business combination;
b. At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible losses) be affected.
③ The taxable temporary differences relating to the investments of subsidiary companies, associated enterprises and joint enterprises shall recognized as corresponding deferred income tax liabilities, however, excluding those that simultaneously satisfy the following conditions:
a. The investing enterprise can control the time of the reverse of temporary differences; and
b. The temporary differences are unlikely to reverse in the excepted future.
(3) The carrying amount of deferred income tax assets shall be reviewed at each balance sheet date.

If it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the carrying amount of the deferred income tax assets shall be written down.
Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

24. Operating leases and finance leases

(1) Operating leases

① When the Company as the Lessee under operating lease, the rents from operating leases shall be recorded by the lessee in the profits and losses of the current period by using the straight-line method over each period of the lease term or in accordance with the using amount of leased assets. Initial direct expense undertaken by the Company, recognized to the management expenses, contingent rental incurred recognized as current expenses. If the lease contract including a rent-free period, the Company shall amortize the overall rent expenses on a straight-line basis over the whole lease period, during the rent-free period recognize lease expenses and liability correspond to it. If the lessee’s expenses paid by the lessor, the Company shall be reduce this expenses from the total rent expenses, and amortize the balance.

② When the Company as the lessor under operating lease, lease income from operating leases shall be recognized in income on a straight-line basis over the lease term. The initial costs, recognized to the current profit and loss account. However, if the amount is large, the lease income shall be capitalized, and recognized in current profits and losses over the lease term on installment on the same basis as the lease income. The contingent lease income shall be recorded into current income upon the occurrence if it is stipulated in the agreement. If the lease contract including a rent-free period, the Company shall recognize the total lease income for the whole lease period (not deducting the rent-free period), and distribute by adopting straight line method or other methods, and the lessor’ s lease income is also recognized during the rent-free period. If the Company paid some lessee’s expenses, the Company shall amortize the income balance (total lease income deduct the expenses) during lease period.

(2) Finance lease

① On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The unrecognized financing charges should be recorded into current financing charges measured by adopting effective interest method during the lease period, and recorded into current financial expense. The direct initial expense shall be recorded into value of rented assets..

The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, the depreciation period according to the lease period. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets shall be depreciated over its useful life. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life

② When the Company as the lessor under finance lease, on the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and recorded into the long-term accounts receivable in the balance sheet, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The unrealized financing income should be recorded into lease income measured by adopting effective interest method during the lease period, and recorded into income from other business.

25. Assets held for sale

(1) Recognition criterion of assets held for sale

An entity shall classify a non-current asset as held for sale if when all the following conditions are satisfied:

① The Company has made a decision on disposing such non-current assets;

② The Company has entered into a irreversible transfer agreement with buyer;

③ The transfer of asset will be completed within one year.

(2) Accounting treatment

For those assets held for sale, the Company shall adjust the assets' estimated net residual value, let the amount can reflect the fair value after deducting costs to sell, but not in excess of the original carrying amount of the fixed assets, the balance of estimated net residual value after adjustment and the original carrying amount, shall be recognized as assets impairment loss to be recorded into current profit and loss account.

An asset or an disposal group was classified as held for sale before, but if it couldn't meet the recognition conditions for held-for-sale fixed asset later, the Company shall cease to classify it as held for sale, and measure it by the lower amount of the followings:

① Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or impairment before the asset (or disposal group) being classified as held for sale; or

② Its recoverable amount on the date of the subsequent decision not to sell.

26. Change in major accounting policies and accounting estimates

(1) Changes in accounting policies

There are no changes in accounting policies during current reporting period.

(2) Changes in accounting estimates

There are no changes in accounting estimates during current reporting period.

27. Corrections of prior accounting errors

The Company has no matter related to correction of prior-period errors.

III. Taxation

1. The main type of tax and tax rate for the Company are list below:

Type of tax	Tax base	Tax rate %
VAT	Sale of product and raw material	17、13
Business Tax	Business turnover	3、5
Consumption tax	Sales amount and quantity of taxable product	20% based on price or RMB 0.5 per kg. (500ml)
Urban maintenance construction tax	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and	5、7

	deduction	
Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	3
Local education surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	2
Corporation Tax	Taxable profit	25 (Note)

Note: Anhui Gujing Hotel (Group) Co., Ltd., subsidy of the Company is a small operation corporate with minor profits that its corporation tax rate is 20%.

IV. Enterprise consolidation and consolidation statement

1. Information of subsidiaries in consolidation scope:

(1) Subsidies acquired through establishment or investment, etc.

Subsidiary name	Company type	Registration location	Nature of business	Registered capital (0'000)	Business scope
Bozhou Gujing Sales Co., Ltd (hereinafter refer to as Gujing Sales)	Limited company	Bozhou, Anhui	Business trading	8,486.00	Wholesales of distilled spirit, construction materials, feeds and assistant materials
Hefei Gujing Trade Co., Ltd (hereinafter refer to as "Hefei Trade")	Limited company	Hefei, Anhui	Business trading	1,000.00	Department stores, wine, hardware, and wholesale of construction materials
Bozhou Gujing Transportation Co., Ltd (hereinafter refer to as "Gujing Transportation")	Limited company	Bozhou,Anhui	Transportation	695.00	Provision of transportation services to the Company
Bozhou Gujing Glass Co., Ltd (hereinafter refer to as "Gujing Glass")	Limited company	Bozhou,Anhui	Manufacture	6,646.00	Manufacture and sale of glass products
Bozhou Gujing Waste Reclamation Co., Ltd (hereinafter refer to as "Gujing Waste")	Limited company	Bozhou,Anhui	Recycled	100.00	Collect and sale of recycled glass bottle、glass、wastebasket
Anhui Jinyunlai Culture & Media Co.,Ltd. (hereinafter refer to as "Jinyunlai")	Limited company	Hefei, Anhui	Ads marketing	200.00	Design, publish, design and proxy of ads in China; ceremony service for conferences as well as sales of gifts in arts and crafts

Subsidies acquired through establishment or investment, etc. (Continued)

Subsidiary name	Actual investing amount at period-end (RMB 10'000)	Balance of other projects that actually formed net investment to subsidies	Share holding proportion (%)	Voting proportion (%)

Subsidiary name	Actual investing amount at period-end (RMB 10'000)	Balance of other projects that actually formed net investment to subsidies	Share holding proportion (%)	Voting proportion (%)
Gujing Trade	8,486.00	0.00	100.00	100.00
Hefei Trade	1,000.00	0.00	100.00	100.00
Gujing Transportation	695.00	0.00	100.00	100.00
Guing Glass	6,646.00	0.00	100.00	100.00
Gujing Waste	100.00	0.00	100.00	100.00
Jinyunlai	200.00	0.00	100.00	100.00

Subsidies acquired through establishment or investment, etc. (Continued)

Subsidiary name	Whether or not combined into financial statements	Minority equity	Amount of minority equity that be used to offset minority gains and loss	Balance between shareholders' equity in the Company that deducting current loss shouldered by minority shareholders in subsidies over shares enjoyed by shareholders in equity of subsidies at the period-begin
Gujing Trade	Yes	0.00	0.00	0.00
Hefei Trade	Yes	0.00	0.00	0.00
Gujing Transportation	Yes	0.00	0.00	0.00
Guing Glass	Yes	0.00	0.00	0.00
Gujing Waste	Yes	0.00	0.00	0.00
Jinyunlai	Yes	0.00	0.00	0.00

(2) Subsidies acquired through corporate combination under the same control

Subsidiary name	Type	Registered place	Nature of business	Registeredcapital (RMB 10'000)	Operation scope
Shanghai Gujing Jinhao Hotel Management Co., Ltd. (hereinafter refer to as "Shanghai Jinhao")	Limited company	Shanghai	Hotel management	5,400.00	Hotel management（Except for catering management、Except for hotel operation）; Self-owned housing rental; establish branch.（If there is need administrative licensing, operating based on the license.）
Bozhou Gujing Hotel Co., Ltd.(hereinafter refer to as "Gujing Hotel")	Limited company	Bozhou, Anhui	Hotel management	62.80	Accommodation and parking services；lunch processing, sales of alcohol and tobacco and sales of daily commodity

Subsidies acquired through corporate combination under the same control (Continued)

Subsidiary name	Whether or not combined into financial statements	Minority equity	Amount of minority equity that be used to offset minority gains and loss	Balance between shareholders' equity in the Company that deducting current loss shouldered by minority shareholders in subsidies over shares

				enjoyed by shareholders in equity of subsidies at the period-begin
Shanghai Jinhao	Yes	0.00	0.00	0.00
Gujing Hotel	Yes	0.00	0.00	0.00

2. Explanation for changes in consolidation scope

(1) Decrease in consolidation scope

① Shanghai Gujing Trade Co., Ltd. was cancelled in Jun. 2011 that it is not written into consolidation scope since 30 Jun. 2011.

V. Main notes in the Consolidation Statement

1. Monetary fund

Items	Balance as at 30 June 2011			Balance as at 31 December 2010		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash on hand						
RMB	261,732.05	1.0000	261,732.05	180,852.46	1.0000	180,852.46
Subtotal	261,732.05		261,732.05			180,852.46
Deposit in bank						
RMB	662,817,563.61	1.0000	662,817,563.61	642,986,669.59	1.0000	642,986,669.59
USD		0.00		9,645.97	6.6227	63,882.37
Subtotal			662,817,563.61			643,050,551.96
Total			663,079,295.66			643,231,404.42

2. Notes receivable

(1) Categories of notes receivable

Item	Balance as at 30 June 2011	Balance as at 31 December 2010
Bank acceptance bill	391,564,070.58	96,030,755.37
Total	391,564,070.58	96,030,755.37

(2) Bills that has endorsed to others but not matured yet as at the end of reporting period amounting to RMB 99,073,156.89. Details of top five are as following:

Issuing company	Date of draft	Mature date	Balance
Erdos Tongyida Coal Trade Co., Ltd.	2011-01-12	2011-07-12	1,000,000.00
Shanxi Qinshou Materials Co., Ltd.	2011-03-18	2011-09-18	1,000,000.00
Shaoxing City Mode Smelting Ltd.	2011-01-24	2011-07-24	700,000.00
Shandong Haiheng Chemistry Co., Ltd.	2011-01-18	2011-07-18	500,000.00
Shouguang Jinguang Electrics Technology Co., Ltd.	2011-01-12	2011-07-12	500,000.00
Total			3,700,000.00

3. Accounts receivable

(1) Details of accounts receivable listed by categories

Items	Balance as at 30 June 2011			
	Book value		Bad debts provisions	
	Amount	Percentage %	Amount	Percentage %
Individual significant amount that make independent provision for bad debt	0.00	0.00	0.00	0.00
Making provision for bad debt by group analysis				
Age group analysis	42,651,351.14	100.00	1,220,607.63	2.86
Individual insignificant amounts but make independent provision for bad debt	0.00	0.00	0.00	0.00
Total	42,651,351.14	100.00	1,220,607.63	2.86

Continued:

Items	Balance as at 31 December 2010			
	Book value		Bad debts provisions	
	Amount	Percentage %	Amount	Percentage %
Individual significant amount that make independent provision for bad debt	0.00	0.00	0.00	0.00
Making provision for bad debt by group analysis				
Age group analysis	13,479,796.20	100.00	661,063.64	4.90
Individual insignificant amounts but make independent provision for bad debt	0.00	0.00	0.00	0.00
Total	13,479,796.20	100.00	661,063.64	4.90

(2) Within the group analysis, accounts receivable that conduct age group analysis:

Age	Balance as at 30 June 2011			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	38,217,682.20	89.60	382,176.83	1.00
6 months to 1 year	2,982,731.98	7.00	149,136.60	5.00
Subtotal of within 1 year	41,200,414.18	96.60	531,313.43	1.29
1 year to 2 years	646,394.04	1.52	64,639.40	10.00
2 years to 3 years	359,776.24	0.84	179,888.12	50.00
Over 3 years	444,766.68	1.04	444,766.68	100.00
Total	42,651,351.14	100.00	1,220,607.63	2.86

Continued:

Age	Balance as at 31 December 2010			
	Book balance		Provision for bad debt	

	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	12,099,472.51	89.76	120,994.73	1.00
6 months to 1 year	333,186.94	2.47	16,659.35	5.00
Subtotal of within 1 year	12,432,659.45	92.23	137,654.08	1.11
1 year to 2 years	415,836.04	3.08	41,583.60	10.00
2 years to 3 years	298,949.50	2.22	149,474.75	50.00
More than 3 years	332,351.21	2.47	332,351.21	100.00
Total	13,479,796.20	100.00	661,063.64	4.90

(3) In the reporting period, there is neither accounts receivable that already withdrawn provision for bad debt before the reporting period at full amount transfer back or recover, nor significant accounts receivable that already withdrawn provision for bad debt.

(4) In the reporting period, there is no accounts receivable due from shareholders who hold 5% or over 5% voting rights.

(5) The balance of top five accounts receivable

Company name	Relationship with the Company	Balance	Age	Proportion of total accounts receivable %
Zhengzhou Erqi District Zhiyuan Wine Industry Company	Non-related party	4,088,165.60	Within 6 months	9.59
Chaohu City-east Trade Co., Ltd.	Non-related party	2,261,577.27	Within 6 months	5.30
Hanshan County Huatian Trade Co., Ltd.	Non-related party	2,062,425.38	Within 6 months	4.84
Ngs Supermarket Group Co., Ltd.	Non-related party	1,553,107.73	Within 6 months	3.64
Beijing Yizhaotong Material Co., Ltd.	Non-related party	1,526,811.00	Within 6 months	3.58
Total		11,492,086.98		26.95

4. Advance to suppliers

(1) Age analysis

Aging	Balance as at 30 June 2011		Balance as at 31 December 2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	5,584,689.99	100.00	1,793,790.94	98.05
1-2 years	0.00	0.00	35,720.00	1.95
2-3 years	0.00	0.00	0.00	0.00
Over 3 years	0.00	0.00	0.00	0.00
Total	5,584,689.99	100.00	1,829,510.94	100.00

(2) Details about the top five entities on advance to suppliers at the end of the reporting period:

Company name	Relationship with the Company	Balance	Age	Reason for unsettlement
SDIC Xinji Co., Ltd.	Non-related party	1,560,000.00	Within half a year	Unfulfilled of settlement
Beijing Jinqiao Jiaren TV Advertising Media Co., Ltd.	Non-related party	999,999.98	Within half a year	Unfulfilled of contract
Hainan White Horse Advertising Media Investment Co, Ltd.	Non-related party	540,000.00	Within half a year	Unfulfilled of contract
Tbea Hengyang Transformer Co., Ltd.	Non-related party	171,000.00	Within half a year	Unfulfilled of settlement
Anhui Branch of Xinhua News Agency	Non-related party	99,999.99	Within half a year	Unfulfilled of contract
Total		3,370,999.97		

(3) In the reporting period, there is no advance to suppliers due from shareholders who holds 5% or over 5% voting rights.

5. Other accounts receivable

(1) Details of other accounts receivable listed by categories

Items	Balance as at 30 June 2011			
	Book value		Bad debts provisions	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual significant amount that make independent provision for bad debt	55,216,448.81	35.79	55,216,448.81	100.00
Making provision for bad debt by group analysis				
Age group analysis	99,069,108.09	64.21	1,324,698.44	1.34
Individual insignificant amounts but make independent provision for bad debt	0.00	0.00	0.00	0.00
Total	154,285,556.90	100.00	56,541,147.25	36.65

Continued:

Items	Balance as at 31 December 2010			
	Book value		Bad debts provisions	
	Amount	Proportion(%)	Amount	Proportion(%)
Individual significant amount that make independent provision for bad debt	55,216,448.81	41.05	55,216,448.81	100.00
Making provision for bad debt by group analysis				
Age group analysis	79,299,603.57	58.95	1,408,817.97	1.78
Individual insignificant amounts but make independent provision for bad debt	0.00	0.00	0.00	0.00

Items	Balance as at 31 December 2010			
	Book value		Bad debts provisions	
	Amount	Proportion(%)	Amount	Proportion(%)
Total	134,516,052.38	100.00	56,625,266.78	42.10

(2) Within the group, other accounts receivable that conducts age group analysis:

Age	Balance as at 30 June 2011			
	Book value		Bad debts provisions	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	96,335,504.14	97.24	963,355.04	1
6 months to 1 year	715,424.00	0.72	35,771.20	5
Subtotal of within 1 year	97,050,928.14	97.96	999,126.24	3
1 year to 2 years	1,711,294.44	1.73	171,129.44	10
2 years to 3 years	304,885.51	0.31	152,442.76	50
More than 3 years	2,000.00	0.00	2,000.00	100
Total	99,069,108.09	100.00	1,324,698.44	1.34

Continued:

Age	Balance as at 31 December 2010			
	Book value		Bad debts provisions	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year				
Including: within 6 months	76,893,145.27	96.97	768,931.45	1.00
6 months to 1 year	1,525,447.18	1.92	76,272.36	5.00
Subtotal of within 1 year	78,418,592.45	98.89	845,203.81	1.08
1 year to 2 years	324,885.51	0.41	32,488.55	10.00
2 years to 3 years	50,000.00	0.06	25,000.00	50.00
More than 3 years	506,125.61	0.64	506,125.61	100.00
Total	79,299,603.57	100.00	1,408,817.97	1.78

(3) In the reporting period, there is no other accounts receivable to suppliers due from shareholders who holds 5% or over 5% voting rights.

(4) Details about the top five entities on other accounts receivable at the end of the reporting period:

Company name	Relationship with the Company	Balance	Age	Proportion to total other accounts receivable (%)

Finance Bureau of Qiaocheng District, Bozhou City	Non-related party	64,342,050.00	Within 6 months	41.70
Hengxin Securities	Non-related party	29,502,438.53	Over 3 years	19.12
Minfa Securities	Non-related party	12,879,010.28	Over 3 years	8.35
Jianqiao Securities	Non-related party	12,835,000.00	Over 3 years	8.32
CCTV	Non-related party	4,900,000.00	Within 6 months	3.17
Total		124,458,498.81		80.66

6. Inventory

(1) Details of inventory:

Items	Balance as at 30 June 2011			Balance as at 31 December 2010		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw material and packaging material	59,111,551.38	5,609,659.23	53,501,892.15	65,545,977.24	5,609,659.23	59,936,318.01
Self-made semi-manufactured goods and product in process	370,147,275.87	0.00	370,147,275.87	317,467,522.18	0.00	317,467,522.18
Finished goods	59,402,693.47	1,195,879.69	58,206,813.78	78,961,306.99	3,485,660.50	75,475,646.49
Total	488,661,520.72	6,805,538.92	481,855,981.80	461,974,806.41	9,095,319.73	452,879,486.68

(2) Provision for falling price of inventories

Items	Balance as at 31 December 2010	Provision in current period	Decrease in current period		Balance as at 30 June 2011
			Reversal in current period	Write off in current period	
Raw material and packaging material	5,609,659.23	0.00	0.00	0.00	5,609,659.23
Finished goods	3,485,660.50	0.00	0.00	2,289,780.81	1,195,879.69
Total	9,095,319.73	0.00	0.00	2,289,780.81	6,805,538.92

7. Investment property

(1) Investment property adopt the cost model

Items	Balance as at 31 December 2010	Increment	Decrement	Balance as at 30 June 2011
Ⅰ. Total costs	79,352,732.76	0.00	0.00	79,352,732.76
1. Houses and buildings	76,708,140.76	0.00	0.00	76,708,140.76
2. Land use right	2,644,592.00	0.00	0.00	2,644,592.00
Ⅱ. Total accumulated depreciation and	34,050,245.78	2,591,826.06	0.00	36,642,071.84

accumulated amortization:				
1. Houses and buildings	33,865,943.45	2,560,818.78	0.00	36,426,762.23
2. Land use right	184,302.33	31,007.28	0.00	215,309.61
Ⅲ. Total net value :	45,302,486.98	0.00	0.00	42,710,660.92
1. Houses and buildings	42,842,197.31	0.00	0.00	40,281,378.53
2. Land use right	2,460,289.67	0.00	0.00	2,429,282.39
Ⅳ. Total accumulated impairment loss :	0.00	0.00	0.00	0.00
1. Houses and buildings	0.00	0.00	0.00	0.00
2. Land use right	0.00	0.00	0.00	0.00
Ⅴ. Total carrying value	45,302,486.98	0.00	0.00	42,710,660.92
1. Houses and buildings	42,842,197.31	0.00	0.00	40,281,378.53
2. Land use right	2,460,289.67	0.00	0.00	2,429,282.39

(2) In the reporting period, depreciation and amortization in investment property amounting to RMB 2,591,826.06, accumulated amount of depreciation and amortization is RMB 36,642,071.84.

(3) Details about investment properties that uncompleted property right at period-end

Items	Book original value	Accumulated depreciation	Impairment provision	Book value
Building for wine filling and packing workshop (third floor)	22,618,411.84	11,050,980.34	0.00	11,567,431.50
Office building for filling and packing workshop (second floor)	6,458,600.00	2,903,141.00	0.00	3,555,459.00
Filling and packing workshop	8,268,007.88	2,525,518.78	0.00	5,742,489.10
Packing complex building project (including packing workshop No. 7)	6,110,867.18	3,195,983.81	0.00	2,914,883.37
New established workshop in fodder plant	10,183,833.35	50,919.17	0.00	10,132,914.18
Total	53,639,720.25	19,726,543.10	0.00	33,913,177.15

8. Fixed assets

(1) Particulars about fixed assets

Items	Balance as at 31 December 2010	Increment	Decrement	Balance as at 30 June 2011
Ⅰ. Total book values:	797,965,905.14	18,312,292.85	915,934.75	815,362,263.24
Houses and buildings	503,961,199.28	2,341,107.51	0.00	506,302,306.79
Machineries and equipments	193,190,395.60	13,394,072.63	504,308.18	206,080,160.05
Vehicles	32,046,687.27	1,811,860.36	9,300.00	33,849,247.63
Office equipment and others	68,767,622.99	765,252.35	402,326.57	69,130,548.77
Ⅱ. Total accumulated depreciation	450,940,444.96	23,813,559.19	465,711.39	474,288,292.76
Houses and buildings	257,758,414.08	10,496,734.17	0.00	268,255,148.25
Machineries and equipments	133,952,164.80	7,880,073.45	189,585.24	141,642,653.01
Vehicles	14,851,585.08	3,074,645.24	8,723.40	17,917,506.92

Office equipment and others	44,378,281.00	2,362,106.33	267,402.75	46,472,984.58
Ⅲ. Total net value	347,025,460.18	0.00	0.00	341,073,970.48
Houses and buildings	246,202,785.20	0.00	0.00	238,047,158.54
Machineries and equipments	59,238,230.80	0.00	0.00	64,437,507.04
Vehicles	17,195,102.19	0.00	0.00	15,931,740.71
Office equipment and others	24,389,341.99	0.00	0.00	22,657,564.19
Ⅳ. Total accumulated impairment loss	6,951,990.42	0.00	0.00	6,951,990.42
Houses and buildings	4,264,099.10	0.00	0.00	4,264,099.10
Machineries and equipments	2,020,210.96	0.00	0.00	2,020,210.96
Vehicles	0.00	0.00	0.00	0.00
Office equipment and others	667,680.36	0.00	0.00	667,680.36
Ⅴ. Total carrying value	340,073,469.76	0.00	0.00	334,121,980.06
Houses and buildings	241,938,686.10	0.00	0.00	233,783,059.44
Machineries and equipments	57,218,019.84	0.00	0.00	62,417,296.08
Vehicles	17,195,102.19	0.00	0.00	15,931,740.71
Office equipment and others	23,721,661.63	0.00	0.00	21,989,883.83

Note: In the reporting period, RMB 23,813,559.19 is withdrawn in accumulated depreciation of fixed assets and accumulated depreciation amount is of RMB 474,288,292.76.

(2) During current period, the amount of fixed assets that are transferred from completion of construction in progress is RMB 1, 916,332.29.

(3) Particulars about idle fixed assets at the end of the reporting period:

Items	Book original value	Accumulated depreciation	Provision for impairment	Book value
Houses and buildings	17,270,151.02	12,724,361.30	4,264,099.10	281,690.62
Machineries and equipments	11,428,316.96	9,408,106.00	2,020,210.96	0.00
Office equipment and others	1,772,209.55	1,104,529.19	667,680.36	0.00
Total	30,470,677.53	23,236,996.49	6,951,990.42	281,690.62

(4) Particulars about fixed assets leasing out by operating lease at the end of the reporting period:

Items	Book original value	Accumulated depreciation	Provision for impairment	Book value
Machineries and equipments	10,377,267.94	6,892,885.30	0.00	3,484,382.64
Vehicles	228,450.99	150,047.26	0.00	78,403.73
Electric equipment and others	6,125,604.27	3,865,146.59	0.00	2,260,457.68
Total	16,731,323.20	10,908,079.15	0.00	5,823,244.05

(5) Particulars about fixed assets which have not completed the process of property right certificate at period-end

Items	Book original value	Accumulated depreciation	Provision for impairment	Book value
Boiler workshop	4,917,406.90	3,242,188.31	0.00	1,675,218.59
Steam turbine workshop	2,064,038.30	1,353,663.24	0.00	710,375.06
Workshop of 35KV power transformation	3,495,600.00	2,237,329.65	1,167,530.40	90,739.95
Newly established warehouse	13,045,000.85	326,125.02	0.00	12,718,875.83
Total	23,522,046.05	7,159,306.22	1,167,530.40	15,195,209.43

Explanation: Property right certificate of houses and buildings owed by the Company is under process.

(6) The Company has no pledged and warranted fixed assets during current period.

9. Construction in progress

(1) Details of construction in progress

Items	Balance as at 30 June 2011			Balance as at 31 December 2010		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Anaerobism methane project	14,847.40	0.00	14,847.40	14,847.40	0.00	14,847.40
Zhangji wine pot project	5,090,782.20	0.00	5,090,782.20	5,085,598.20	0.00	5,085,598.20
Zhengde Plaza	0.00	0.00	0.00	1,439,123.25	0.00	1,439,123.25
e-HR system	325,282.04	0.00	325,282.04	23,931.62	0.00	23,931.62
Toast flower painting on glass bottle line project	242,447.89	0.00	242,447.89	144,635.01	0.00	144,635.01
Reform and alternation project of No. 4 furnace	5,090,323.22	0.00	5,090,323.22	2,336,242.07	0.00	2,336,242.07
Total	10,763,682.75	0.00	10,763,682.75	9,044,377.55	0.00	9,044,377.55

(3) Changes in construction in progress

Items	Budget amount	Opening balance	Increment in current period	Fixed assets transfer in	Other decrement	Closing balance
Anaerobism methane project	3,000,000.00	14,847.40	0.00	0.00	0.00	14,847.40
Zhangji wine pot project	5,859,011.96	5,085,598.20	5,184.00	0.00	0.00	5,090,782.20
Zhengdei Plaza	1,939,123.25	1,439,123.25	0.00	1,439,123.25	0.00	0.00
e-HR system	528,000.00	23,931.62	301,350.42	0.00	0.00	325,282.04
Toast flower painting	2,306,275.77	144,635.01	575,021.92	477,209.04	0.00	242,447.89

Items	Budget amount	Opening balance	Increment in current period	Fixed assets transfer in	Other decrement	Closing balance
on glass bottle line project						
Reform and alternation project of No. 4 furnace	6,740,268.07	2,336,242.07	2,754,081.15	0.00	0.00	5,090,323.22
Total		9,044,377.55	3,635,637.49	1,916,332.29	0.00	10,763,682.75

10. Intangible assets

(1) Particulars about intangible assets

Items	Balance as at 31 December 2010	Increment	Decrement	Balance as at 30 June 2011
Ⅰ. Total book values:	212,369,601.20	48,752,604.00	0.00	261,122,205.20
Land use rights	172,441,156.80	48,752,604.00	0.00	221,193,760.80
Trade mark privileges	38,150,000.00	0.00	0.00	38,150,000.00
Software	1,778,444.40	0.00	0.00	1,778,444.40
Ⅱ. Total accumulated amortization:	57,923,208.91	2,280,238.92	0.00	60,203,447.83
Land use rights	19,539,640.07	2,072,398.92	0.00	21,612,038.99
Trade mark privileges	37,850,000.00	30,000.00	0.00	37,880,000.00
Software	533,568.84	177,840.00	0.00	711,408.84
Ⅲ. Total net value :	154,446,392.29	0.00	0.00	200,918,757.37
Land use rights	152,901,516.73	0.00	0.00	199,581,721.81
Trade mark privileges	300,000.00	0.00	0.00	270,000.00
Software	1,244,875.56	0.00	0.00	1,067,035.56
Ⅳ. Total accumulated impairment loss:	0.00	0.00	0.00	0.00
Land use rights	0.00	0.00	0.00	0.00
Trade mark privileges	0.00	0.00	0.00	0.00
Software	0.00	0.00	0.00	0.00
Ⅴ. Total carrying value:	154,446,392.29	0.00	0.00	200,918,757.37
Land use rights	152,901,516.73	0.00	0.00	199,581,721.81
Trade mark privileges	300,000.00	0.00	0.00	270,000.00
Software	1,244,875.56	0.00	0.00	1,067,035.56

(2) Current period the intangible assets impairment is RMB 2,280,238.92.

11. Long-term deferred expense

Items	Opening balance	Increment in current period	Amortization in current period	Other decrement	Closing balance

Decoration of Breweries Industrial Park	1,486,844.67	0.00	300,728.22	0.00	1,186,116.45
Overhaul of extract filtering wine pot project	283,931.58	0.00	141,965.86	0.00	141,965.72
Total	1,770,776.25	0.00	442,694.08	0.00	1,328,082.17

12. Deferred tax assets

(1) Recognized deferred tax assets

Items	Balance as at 30 June 2011	Balance as at 31 December 2010
Bad debts provisions	14,411,511.74	14,205,749.62
Provision for falling price of inventory	1,686,700.25	2,215,092.01
Provision of impairment for fixed asset	1,737,997.61	1,737,997.61
Unrecognized profits from inter-group transactions	0.00	73,008.05
Deferred income	1,344,751.98	1,451,975.50
Accrued expense	2,929,812.81	2,929,812.81
Deductible losses	0.00	0.00
Total	22,110,774.39	22,613,635.60

(2) Details of deductable difference of assets caused by temporary differences:

Items	Amount of temporary differences	
	Balance as at 30 June 2011	Balance as at 31 December 2010
Bad debts provisions	57,646,047.27	56,823,499.97
Provision for falling price of inventory	6,746,800.99	8,860,368.01
Provision of impairment for fixed asset	6,951,990.42	6,951,990.42
Unrecognized profits from inter-group transactions	0.00	292,032.21
Deferred income	5,379,007.93	5,807,902.02
Accrued expense	11,719,251.22	11,719,251.22
Total	88,443,097.83	90,455,043.85

13. Provision for assets impairment

Items	Balance as at 31 December 2010	Increment	Decrement		Balance as at 30 June 2011
			Recovery	Written off	
Bad debts provisions	57,286,330.42	475,424.46	0.00	0.00	57,761,754.88
Provision for falling price of inventory	9,095,319.73	0.00	0.00	2,289,780.81	6,805,538.92
Provision of	6,951,990.42	0.00	0.00	0.00	6,951,990.42

Items	Balance as at 31 December 2010	Increment	Decrement		Balance as at 30 June 2011
			Recovery	Written off	
impairment for fixed asset					
Total	73,333,640.57	475,424.46	0.00	2,289,780.81	71,519,284.22

14. Accounts payable

(1) Aging analysis

Aging	Balance as at 30 June 2011	Balance as at 31 December 2010
Within 1 year	112,196,928.64	120,513,831.94
Over 1 year	1,510,149.88	4,964,060.14
Total	113,707,078.52	125,477,892.08

(2) There is no Accounts payable balance due to shareholders who hold 5% or over 5% voting rights as at 30 June 2011.

(3) Details of accounts payable balance due to related parties please refer to Ⅵ.5.

(4) The details of accounts payable, which is significant in amount and the account's age more than one year:

Name of company	Balance	Age	Outstanding reasons	Repayment after the balance sheet date
Hefei Hengchang Automatic Co., Ltd.	272,400.00	2-3 years	Equipment final payment	0.00
Xiangtan De Feng Machine Manufacturing Co., Ltd	140,000.00	1-2 years	Equipment final payment	0.00
Guangzhou Yuanda Chemical Industry Trade	73,500.00	Over 3 years	Business termination	0.00
Qingdao Delong Packaging Equipment Co.,Ltd.	40,500.00	2-3 years	Equipment final payment	0.00
Anqiu Dingzheng Machinery Manufacturing Co., Ltd.	40,300.00	1-2 years	Equipment final payment	0.00
Total	566,700.00			0.00

15. Advance from customers

(1) Aging analysis

Aging	Balance as at 30 June 2011	Balance as at 31 December 2010
With in 1 year	229,819,573.27	84,900,159.05
Over 1 year	3,653,380.84	6,591,244.46
Total	233,472,954.11	91,491,403.51

(2) There is no advance from customers balance due to shareholders who hold 5% or over 5% voting rights during the reporting period.

(3) Particulars about significant advance from customers with age over 1 year at the end of reporting period:

Items	Amount	Age	Reason for no transfer in

Items	Amount	Age	Reason for no transfer in
Yantai Mouping Huarong Gujing Chain	53,460.00	2-3 years	Final payment
Beijing Tongguang Economy and Technology Co., Ltd.	34,857.42	2-3 years	Final payment
Tengzhou De'an Hongyuan Trade Co., Ltd.	30,000.00	2-3 years	Final payment
Quanzhou Liu Bingfang	28,326.56	2-3 years	Final payment
Panjin Xinghlong Mansion Co., Ltd.	11,858.00	2-3 years	Final payment
Total	158,501.98		

16. Payroll payable

(1) Particulars about payroll payable

Items	Balance as at 31 December 2010	Increased	Decrement	Balance as at 30 June 2011
Ⅰ. Salary, bonus and allowance	91,382,499.10	107,281,862.04	135,045,165.92	63,619,195.22
Ⅱ. Employee welfare	0.00	1,011,768.46	1,011,768.46	0.00
Ⅲ. Social insurance:	11,149,377.43	22,939,150.66	14,685,249.40	19,403,278.69
Including: 1. Medical insurance	1,439,319.86	4,687,204.05	253,084.40	5,873,439.51
2. Basic retirement insurance	9,674,599.61	17,581,745.43	14,273,973.40	12,982,371.64
3. Unemployment insurance	22,797.03	535,605.32	153,754.23	404,648.12
4. Injury insurance	7,793.02	74,383.53	4,437.37	77,739.18
5. Pregnancy insurance	4,867.91	60,212.33	0.00	65,080.24
Ⅳ. Housing accumulation fund	14,701,572.60	28,265,476.08	15,735,658.58	27,231,390.10
Ⅴ. Dismissing welfare	0.00	0.00	0.00	0.00
Ⅵ. Labor union fee and employee education fee	8,734,300.41	5,310,892.04	2,445,640.62	11,599,551.83
Ⅶ.Non-monetary welfare	0.00	0.00	0.00	0.00
Ⅷ. Compensation of termination of labor contract	0.00	0.00	0.00	0.00
Ⅸ. Others:	0.00	0.00	0.00	0.00
Including: cash-settled share payment	0.00	0.00	0.00	0.00
Total	125,967,749.54	164,809,149.28	168,923,482.98	121,853,415.84

(2) There is no arrearage due from payroll payables.

17. Tax payable

Types of tax	Balance as at 30 June 2011	Balance as at 31 December 2010
VAT	90,701,469.19	75,399,278.88
Consumption tax	143,164,620.41	140,420,188.41
Business Tax	662,712.51	615,100.66

Types of tax	Balance as at 30 June 2011	Balance as at 31 December 2010
Urban construction tax	12,954,865.54	8,995,466.49
Corporation Tax	107,530,502.66	99,978,490.67
Individual income tax	125,075.62	902,332.16
Stamp duty tax	0.00	636,169.62
Education Surcharge	12,953,099.72	7,002,243.42
Others	24,639.28	751,862.55
Total	368,116,984.93	334,701,132.86

18. Other accounts payable

(1) Aging analysis

Aging	Balance as at 30 June 2011	Balance as at 31 December 2010
Within 1 year	137,844,117.70	80,236,518.17
More than 1 year	57,666,543.14	44,773,668.00
Total	195,510,660.84	125,010,186.17

(2) Particulars about other accounts payable balance due to shareholders who own 5% or more than 5% voting right as at 30 June 2011 is as followed:

Shareholder name	Content of accoutn	Balance as at 30 June 2011	Balance as at 31 December 2010
Gujing Group	Leasing expense	0.00	191,666.67
Total		0.00	191,666.67

(3) Please refer to Note Ⅵ. 5. for details about accounts payable on related parties.

(4) The details of significant other accounts payable with age more than one year:

Company name	Balance	Age	Outstanding reasons
Anhui Anzhen investment Co., Ltd	5,000,000.00	Over 3 years	Unable to contact creditor
Guangxi Construction Engineering Group No. 1 Installation Co., Ltd	2,265,300.00	Over 2-3 years	Decoration expenses for boiler and security deposit
Shanghai Sage Software Co., Ltd.	524,204.00	Over 2-3 years	Final payment and security deposit
Jiangsu Xincheng Print Development Co., Ltd	330,000.00	Over 3 years	Security deposit
Wenzhou Zhongyuan Non-staple Foods Co., Ltd	300,000.00	1-2 years	Security deposit
Total	8,419,504.00		

(5) Particulars about significant other accounts payable aging over 1 year at period-end

Items	Balance	Content
Anqiu Dingzheng Mechanic Equipment Co., Ltd	873,760.00	Pledged money
Henan Heli Architecture Construction Co., Ltd.	393,294.57	Pledged money
Miao Xiufu	392,000.00	Pledged money

Shandong Liaocheng Fuhe Packing Co., Ltd	300,000.00	Pledged money
Anhui Hualian Department Store Co., Ltd	300,000.00	Pledged money
Total	2,259,054.57	

19. Other current liabilities

Items	Opening balance	Increment in current period	Decrement in current period	Closing balance
Energy-saving and reform project of coal-fired industry boiler and glass furnace	547,788.19	0.00	273,894.09	273,894.10
Bozhou city logistics center project	60,000.00	0.00	30,000.00	30,000.00
Special account for prevention and cure of waste water directed by municipal finance	650,000.00	0.00	325,000.00	325,000.00
Total	1,257,788.19	0.00	628,894.09	628,894.10

Note: This item reveals deferred income amortized in the reporting period.

20. Other non-current liabilities

(1) Category

Item	Balance as at 30 June 2011	Balance as at 31 December 2010
Government grant related to assets	4,750,113.83	4,550,113.83
Total	4,750,113.83	4,550,113.83

(2) Explanation for other non-current liabilities: government grant related to assets and closing amount

Items	Opening balance	Increment in current period	Amortization in current period	Decrement in current period	Closing balance
Energy-saving and reform project of coal-fired industry boiler and glass furnace	1,470,113.83	0.00	0.00	0.00	1,470,113.83
Bozhou city logistics center project	480,000.00	0.00	0.00	0.00	480,000.00
Special account for prevention and cure of waste water directed by municipal finance	2,600,000.00	0.00	0.00	0.00	2,600,000.00
Government grants for wine pot packaging No. 3 workshop	0.00	200,000.00	0.00	0.00	200,000.00
Total	4,550,113.83	200,000.00	0.00	0.00	4,750,113.83

21. Share capital

Unit: share

Items	Balance as at 31 December 2010	Increase/decrease (+、－)	Balance as at 30 June 2011

		Issuance of new shares	Bonus shares	Capitalization of capital reserve	Others	Subtotal	
Ⅰ. Shares subject to trading moratorium							
1. Shares held by the state	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Shares held by state-owned corporations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other domestic shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including: shares held by domestic corporations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by domestic natural person	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Foreign shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including: shares held by foreign corporation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by foreign natural person	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total of shares subject to trading moratorium	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ⅱ. Shares not subject to trading moratorium							
1. RMB ordinary shares	175,000,000.00	0.00	0.00	0.00	0.00	0.00	175,000,000.00
2. Domestically listed foreign shares	60,000,000.00	0.00	0.00	0.00	0.00	0.00	60,000,000.00
3. Overseas listed foreign shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total shares not subject to trading moratorium	235,000,000.00	0.00	0.00	0.00	0.00	0.00	235,000,000.00
Total shares	235,000,000.00	0.00	0.00	0.00	0.00	0.00	235,000,000.00

22. Capital reserve

Categories	Balance as at 31 December 2010	Increment in current period	Decrement in current period	Balance as at 30 June 2011
Share premium	303,653,005.78	0.00	0.00	303,653,005.78
Other capital reserves	32,386,037.14	0.00	0.00	32,386,037.14
Total	336,039,042.92	0.00	0.00	336,039,042.92

23. Surplus reserve

Categories	Balance as at 31	Increment in	Decrement in	Balance as at 30

	December 2010	current period	current period	June 2011
Statutory surplus reserve	97,283,190.70	0.00	0.00	97,283,190.70
Total	97,283,190.70	0.00	0.00	97,283,190.70

24. Undistributed profit

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Balance at the end of the year of 2010 (Before adjustment)	381,153,314.20	176,955,910.52
Total adjustment for the balance at the beginning of the year of 2011	0.00	-67,362.48
Balance at the beginning of the year of 2011 (After adjustment)	381,153,314.20	176,888,548.04
Add: Current distributable net profits for owners of parent company	287,947,478.86	313,757,556.93
Less: Appropriation of statutory surplus reserves	0.00	27,242,790.77
Appropriation of discretionary surplus reserve	0.00	0.00
Appropriation of normal risk provision	0.00	0.00
Ordinary shares dividend payables	82,250,000.00	82,250,000.00
Ordinary shares dividend capitalized to share capital	0.00	0.00
Undistributed profits as at 30 June 2011	586,850,793.06	381,153,314.20

25. Operating Revenues and Operating Costs

(1) Operating Revenues

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Main operating incomes	1,564,181,223.58	832,852,759.94
Other operating incomes	19,116,446.24	23,494,613.02
Total operating income	1,583,297,669.82	856,347,372.96
Main operating Costs	390,226,869.38	218,281,810.84
Other operating Costs	14,928,735.92	23,506,606.70
Total operating costs	405,155,605.30	241,788,417.54

(2) Main business (listed according to categories of products)

Name of products	Jan.-Jun. 2011		Jan.-Jun. 2010	
	Operating income	Operating Cost	Operating income	Operating Cost
Wine	1,515,785,982.31	358,960,409.73	784,786,790.62	187,707,053.93
Hotel	32,246,050.22	19,670,090.63	36,670,434.57	22,002,260.74
Other	16,149,191.05	11,596,369.02	11,395,534.75	8,572,496.17
Total	1,564,181,223.58	390,226,869.38	832,852,759.94	218,281,810.84

(3) Main business (listed according to different districts)

Name of districts	Jan.-Jun. 2011		Jan.-Jun. 2010	
	Operating income	Operating Cost	Operating income	Operating Cost
North China	299,410,492.72	71,858,518.25	89,900,827.78	21,502,680.38
Central China	1,136,839,486.73	287,664,852.54	665,601,300.56	178,278,233.97
South China	127,931,244.13	30,703,498.59	77,350,631.60	18,500,896.49
Total	1,564,181,223.58	390,226,869.38	832,852,759.94	218,281,810.84

(4) Particulars about operating revenue from the top five clients:

Items	Operating revenues	Proportion of total operating revenues (%)
The first	54,865,044.44	3.47
The second	36,276,553.93	2.29
The third	34,246,588.89	2.16
The fourth	32,692,442.74	2.06
The fifth	29,292,485.64	1.85
Total	187,373,115.64	11.83

26. Business tax and surtax

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Consumption tax	195,602,195.05	105,651,934.12
Business tax	2,110,970.16	2,048,480.08
Urban construction tax and Education surcharge	41,640,569.72	21,784,915.58
Flood protection fee	120,337.28	18,335.22
Total	239,474,072.21	129,503,665.00

Please refer to Note Ⅲ taxation for the details of tax rate and scale.

27. Sales expenses

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Employee remuneration	31,469,649.29	21,789,501.31
Travel expense	22,912,955.63	12,398,059.41
Advertising expense	136,027,371.88	106,212,888.25
Transportation expense	11,952,957.68	6,902,466.34
Charges for publicity and promotion	61,283,622.15	19,160,565.92
Charges for sample wine and holiday wine	16,641,250.56	24,618,837.50

Service fee	47,771,270.63	0.00
Other sales expense	8,945,301.78	8,458,108.89
Total	337,004,379.60	199,540,427.62

28. Administration expenses

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Employee remuneration	59,784,800.07	32,652,665.32
Administrative expense	21,850,174.70	10,622,183.62
Charges for consultation and audit	1,017,618.80	1,452,590.00
Taxation expense	3,260,053.29	2,662,690.63
Repair charge	10,373,877.13	42,708,309.41
Depreciation cost	7,502,161.98	7,966,650.07
Amortization of intangible asset	2,311,246.20	1,291,135.94
Pollution charge	2,180,723.00	20,100.00
Charges for business entertainment	2,063,776.61	2,805,625.40
Cost of material wastage	8,771,692.38	9,058,158.56
Travel expense	9,803,816.29	9,932,931.13
Hotel administration expense	3,326,786.70	3,084,677.13
Charges for water and electricity	1,585,038.80	4,227,045.41
Landscaping fee	55,283.30	1,085,462.54
Scientific research testing fee	1,131,609.69	2,195,637.50
Storage charge	1,794,554.24	1,597,417.07
Premium	822,998.41	455,116.59
Amortization of long-term deferred expense	442,694.08	0.00
Trade mark registration fee	232,930.00	279,525.00
Lease expense	960,623.32	242,177.22
Sample wine	75,565,828.69	5,586,231.00
Others	8,136,683.55	11,996,759.69
Total	222,974,971.23	151,923,089.23

29. Financial expenses

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Interest expense	0.00	79,200.00
Less: Interest Income	6,928,661.61	3,752,813.00
Less: Charges for handling bills	3,586,692.84	0.00
Bank commission	19,772.73	26,102.23
Total	-10,495,581.72	-3,647,510.77

30. Asset impairment loss

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Bad debt loss	475,424.46	354,213.50
Impairment loss on inventories	0.00	0.00
Total	475,424.46	354,213.50

31. Investment income

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Investment income arising from disposal of long-term equity investment	0.00	0.00
Investment income arising from disposal of tradable financial assets	0.00	879,284.55
Total	0.00	879,284.55

32. Non-operating income

（1）Details of non-operating income:

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Gains from disposal of non-current assets	986,738.50	6,750,770.10
Including: Gains from disposal of fixed assets	704,354.36	1,549,386.30
Gains from penalties	2,979,764.58	1,806,148.06
Sale of waste	1,169,204.80	0.00
Others	781,081.85	620,196.10
Total	5,916,789.73	9,177,114.26

33. Non-operating expenses

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Loss on disposal of non-current assets	122,757.19	1,394,204.42
Include: Loss on disposal of fixed assets	122,757.19	1,394,204.42
Others	163,431.17	130,817.47
Total	286,188.36	1,525,021.89

34. Income tax expenses

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Income tax for current period	105,889,060.04	21,381,988.92

Deferred Income tax expense	502,861.21	16,647,468.80
Total	106,391,921.25	38,029,457.72

35. Calculation for Basic EPS and Diluted EPS

Profit of this period	Jan.-Jun. 2011		Jan.-Jun. 2010	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders	1.23	1.23	0.46	0.46
Net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses.	1.21	1.21	0.43	0.43

Basic Earnings Per Share $=P_0 \div S$

$S=S_0+S_1+S_i\times M_i\div M_0-S_j\times M_j\div M_0-S_k$

Including： P_0 : is the net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses; S: is weighted average number of ordinary shares outstanding during the period; S_0 : is the total number of ordinary shares outstanding at the beginning of the period; S1: is incremental ordinary shares issued as a result of the conversion of surplus to ordinary shares or distribution of shares dividend; S_i: is incremental ordinary shares issued as a result of the conversion of a debt instrument to ordinary shares or issued new shares; Sj: Decrement shares that are the number of ordinary shares bought back,etc; S_k: is the number of shrink stocks during the reporting period; M_0: is the number of month during the reporting period; M_i: is the accumulative months that is from the next month of incremental shares to the month of end of reporting period; M_j is the accumulative months that is from the next month of decrement shares to the month of end of reporting period.

Diluted Earnings Per Share $=P_1/(S_0+S_1+S_i\times M_i\div M_0-S_j\times M_j\div M_0-S_k+$ weighted average number of increased ordinary shares from Options and warrants、Share options、Convertible debenture, etc)

Including：P1: is the net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses, and need to consider the effects of all dilutive potential ordinary shares, as well as adjusted according to <Enterprise Accounting Standard> and relevant policies.

36. Notes to cash flow statement

（1）Cash received related to other operating activities

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Security deposit	33,938,682.52	24,208,415.40
Others	11,832,418.77	8,004,103.12
Total	45,771,101.29	32,212,518.52

（2）Cash paid related to other operating activities

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Cash paid in sales expenses and	161,764,392.97	65,349,941.37

administration expenses		
Security deposit	4,611,399.20	12,388,384.71
Others	7,926,785.66	5,659,887.78
Total	174,302,577.83	83,398,213.86

37. Supplemental information for cash flow statement

（1）Supplemental information for cash flow statement

Supplemental information	Jan.-Jun. 2011	Jan.-Jun. 2010
1 Adjusting net profit to cash flow from operating activities：		
Net profits	287,947,478.86	107,386,990.04
Add：Provision for assets impairment loss	0.00	0.00
Depreciation of fixed assets, oil and gas assets and productive biological assets	26,374,377.97	23,412,021.70
Amortization of intangible assets	2,311,246.20	1,329,278.10
Amortization of Long-term deferred expenses	442,694.08	0.00
Loss on disposal of fixed assets, intangible assets and other long-term assets (The gain is listed beginning with "-")	74,861.78	1,366.00
Losses on scraped fixed assets (The gain is listed beginning with "-")	0.00	1,394,204.42
Losses from fluctuation in fair values (The gain is listed beginning with "-")	0.00	0.00
Financial costs (The gain is listed beginning with "-")	0.00	79,200.00
Losses on investment (The gain is listed beginning with "-")	0.00	-879,284.55
Decrease of deferred income tax assets (The increase is listed beginning with "-")	502,861.21	17,167,549.92
Increase of deferred income tax liabilities (The decrease is listed beginning with "-")	0.00	0.00
Decrease of inventories (The increase is listed beginning with "-")	-28,976,495.12	-20,705,209.33
Decrease of operating receivables (The increase is listed beginning with "-")	-323,603,833.48	-67,291,963.64
Increase of operating payables (The decrease is listed beginning with "-")	230,012,730.08	100,145,124.44
Others	0.00	0.00
Net cash flow arising from operating activities	195,085,921.58	162,039,277.10
2 Significant investment and financing activities that not relate to cash flows:		
Debts convert to capital	0.00	0.00
Convertible corporate bond due within 1 year	0.00	0.00

Supplemental information	Jan.-Jun. 2011	Jan.-Jun. 2010
Finance leased fixed assets	0.00	0.00
3 Net increase (decrease) of cash and cash equivalents:		
Closing balance of cash	663,079,295.66	443,451,147.11
Less: Beginning balance of cash	643,231,404.42	361,051,750.67
Add : Closing balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase of cash and cash equivalents	19,847,891.24	82,399,396.44

（2）Cash and cash equivalent

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
1 Cash	663,079,295.66	443,451,147.11
Including: Cash on hand	261,732.05	319,492.38
unrestricted bank deposit	662,817,563.61	443,131,654.73
2. Cash equivalents	0.00	0.00
Including: Bond investment due within three month	0.00	0.00
3. Closing balance of cash and cash equivalents	663,079,295.66	443,451,147.11

Ⅵ. Related party relationships and transactions

a) Details of the Company's parent company

Parent company's name	Relationship with the Company	Type of enterprise	Place of registration	Authorized representative	Nature of business	Registered capital
Gujing Group	Controlling shareholder	State-owned enterprises	Anhui Bozhou	Yu Lin	Beverage, Construction materials, and plastic productions manufacture	353,380,000.00

Con.:

Parent company's name	Shareholding proportion%	Voting rights proportion%	The Company's final controller	Code of organization
Gujing Group	57.75	57.75	Anhui Province, Bozhou City government	151947437

b) Details of the Company's subsidiaries

For details of the Company's subsidiaries, please refer to Note Ⅳ. 1.

c) Details of other related parties of the Company

Names of other related parties	Relationships with the company	Code of organization

Names of other related parties	Relationships with the company	Code of organization
Anhui Ruifuxiang Food Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller	77908892-2
Anhui Ruijing Trade Travel (Group) Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller	14912443-1
Anhui Bozhou Gujing Employee Hospital	Affiliated enterprise of controlling shareholder and actual controller	77737615-4
Bozhou Gujing Hotel Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller	15194003-2
Anhui Gujing Real Estates Group Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller	151940024
Anhui Ruijing Famous Wine Marketing Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller	66791637-5

d) Related transactions

(1) Goods purchased and service received

			Jan.-Jun. 2011		Jan.-Jun. 2010	
Related party	Content of related-party transaction	Pricing way and decision procedures of related-transaction	Amount	The proportion of similar transactions（%）	Amount	The proportion of similar transactions（%）
Anhui Ruifuxiang Food Co., Ltd	Purchase of alcohol	Market price	32,034,447.04	100.00	19,740,787.87	100.00
Total			32,034,447.04		19,740,787.87	

(2) Sales of goods and rendering of service

			Jan.-Jun. 2011		Jan.-Jun. 2010	
Related party	Content of related-party transaction	Pricing way and decision procedures of related-transaction	Amount	The proportion of similar transactions（%）	Amount	The proportion of similar transactions（%）
Gujing Group	Sales of water, electricity, gas, and small-sized materials	Market price	5,814.89	0.02	84,350.84	0.35
Anhui Ruijing Famous Wine Marketing Co., Ltd	Sale of white spirit	Market price	0.00	0.00	44,716,844.44	5.96
Anhui Bozhou Gujing Employee	Sales of water,	Market price	0.00	0.00	2,833.60	0.01

Related party	Content of related-party transaction	Pricing way and decision procedures of related-transaction	Jan.-Jun. 2011 Amount	Jan.-Jun. 2011 The proportion of similar transactions (%)	Jan.-Jun. 2010 Amount	Jan.-Jun. 2010 The proportion of similar transactions (%)
Hospital	electricity, gas, and small-sized materials					
Anhui Gujing Real Estates Group Co., Ltd.	Sale of white spirit	Market price	226,923.06	0.70	42,051.28	0.01
Total			232,737.95		44,846,080.16	

(3) Related leasing

Lessor	Lessee	Leased assets	Start date of leasing	End date of leasing	Pricing basis of leasing fee	Leasing fee recognized in reporting period
Gujing Group	The Company	Houses and buildings	2010-6-1	2020-5-31	Market price	900,000.00
Gujing Group	Gujing Inn	Houses and buildings	2010-6-1	2020-5-31	Market price	250,000,00
Total						1,150,000.00

e) Receivables from and payables to related parties

(1) Receivables from related parties

Item	Related-party	Closing balance Book balance	Closing balance Bad debt provision	Opening balance Book balance	Opening balance Bad debt provision
Other receivables					
	Gujing Group	5,727.25	0.00	0.00	0.00

(2) Payables to related parties

Item	Related parties	Closing balance	Opening balance
Accounts payable			
	Anhui Ruifuxiang Food Co., Ltd	0.00	5,986,267.22
Other payables			
	Anhui Ruijing Trade Travel (Group) Co., Ltd	0.00	181,984.17
	Gujing Group	0.00	191,666.67

VII. Contingency

Up to 30 June 2011, there is no contingency event that needs to be disclosed.

VIII. Commitment

Up to 30 June 2011, there is no commitment event that needs to be disclosed.

IX. Events after the Balance Sheet Date

As approved by Zheng-Jian-Xu-Ke [2011] No. 943 Document of CSRC, the Company accomplished non-public offering of shares on 19 Jul. 2011. The Company issued 16.8 million RMB ordinary shares (A-share) to 6 certain investors at the price of RMB 75.00/share, reaching a total raised fund of RMB 1,260 million. Reanda Certified Public Accountants Co., Ltd. audited on the collection of the raised fund and issued the Capital Verification Report (Reanda-Yan-Zi [2011] No. 1065). GF Securities Co., Ltd. sponsored the new issued shares of the Company at Shenzhen Stock Exchange.

As at the reporting date, there's no other significant event after the balance sheet date except the abovementioned event.

X. Notes to main items in financial statements of the parent company

1. Accounts receivable

(1) Accounts receivable listed by categories

Item	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant amount and being individually withdrawn bad debt provision	0.00	0.00	0.00	0.00
Accounts receivable withdrawn bad debt provision by group				
Aging groups	587,771.00	100.00	484,883.50	82.50
Accounts receivable with insignificant amount but being individually withdrawn bad debt provision	0.00	0.00	0.00	0.00
Total	587,771.00	100.00	484,883.50	82.50

Con:

Item	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)

Item	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant amount and being individually withdrawn bad debt provision	0.00	0.00	0.00	0.00
Accounts receivable withdrawn bad debt provision by group				
Aging groups	587,771.00	100.00	446,590.50	75.98
Accounts receivable with insignificant amount but being individually withdrawn bad debt provision	0.00	0.00	0.00	0.00
Total	587,771.00	100.00	446,590.50	75.98

(2) Accounts receivable withdrawn bad debt provision by aging analysis method in groups

Age	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	0.00	0.00	0.00	1.00
6 months to 1 year	0.00	0.00	0.00	5.00
Subtotal: within 1 year	0.00	0.00	0.00	0.00
1-2 years	0.00	0.00	0.00	10.00
2-3 years	205,775.00	35.01	102,887.50	50.00
Over 3 years	381,996.00	64.99	381,996.00	100.00
Total	587,771.00	100.00	484,883.50	82.50

Con:

Age	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	0.00	0.00	0.00	1.00
6 months to 1 year	0.00	0.00	0.00	5.00
Subtotal: within 1 year	0.00	0.00	0.00	0.00
1-2 years	5,775.00	0.98	577.50	10.00

Age	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
2-3 years	271,966.00	46.27	135,983.00	50.00
Over 3 years	310,030.00	52.75	310,030.00	100.00
Total	587,771.00	100.00	446,590.50	75.98

(3) In the reporting period, there was no accounts receivable, which had been fully allotted for bad debt provision or allotted for bad debt provision in a large proportion before this period, were written back or recovered.

(4) There were no accounts receivables from shareholder entities holding more than 5% (including 5%) voting shares of the Company in the reporting period.

(5) Top 5 entities on accounts receivable at the period-end

Entity	Relation with the Company	Amount	Age	Proportion in total accounts receivable (%)
Chang Xianfeng in Huaiyuan	Non-related party	492,545.00	Over 2 years	83.80
Anhui Sanbao Feed Co., Ltd.	Non-related party	95,226.00	Over 3 years	16.20
Total		587,771.00		100.00

2. Other receivables

(1) Other receivables listed by categories

Item	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant amount and being individually withdrawn bad debt provision	55,216,448.81	16.55	55,216,448.81	100
Other receivables withdrawn bad debt provision by group				
Aging groups	278,405,363.65	83.45	552,216.23	0.20
Other receivables with insignificant amount but being individually withdrawn bad debt provision	0.00	0.00	0.00	0.00
Total	333,621,812.46	100.00	55,768,665.04	16.72

Con:

Item	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)

Item	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant amount and being individually withdrawn bad debt provision	55,216,448.81	17.11	55,216,448.81	100.00
Other receivables withdrawn bad debt provision by group				
Aging groups	267,487,194.73	82.89	474,628.76	0.18
Other receivables with insignificant amount but being individually withdrawn bad debt provision	0.00	0.00	0.00	0.00
Total	322,703,643.54	100.00	55,691,077.57	17.26

(2) Other receivables withdrawn bad debt provision by aging analysis method in groups

Age	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	91,294,209.69	32.79	521,658.53 注	1.00
6 months to 1 year	611,153.96	0.22	30,557.70	5.00
Subtotal: within 1 year	91,905,363.65	33.01	552,216.23	0.50
1-2 years	186,500,000.00	66.99	0.00 注	0.00
2-3 years	0.00	0.00	0.00	50.00
Over 3 years	0.00	0.00	0.00	100.00
Total	278,405,363.65	100.00	552,216.23	0.20

Con:

Age	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
Including: within 6 months	136,060,681.56	50.87	437,438.10	1.00
6 months to 1 year	131,145,213.17	49.03	7,260.66	5.00
Subtotal: within 1 year	267,205,894.73	99.90	444,698.76	0.17
1-2 years	279,300.00	0.10	27,930.00	10.00
2-3 years	0.00	0.00	0.00	0.00
Over 3 years	2,000.00	0.00	2,000.00	100.00

Age	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Total	267,487,194.73	100.00	474,628.76	0.18

Note: The parent company didn't withdraw bad debt provision for accounts receivable of subsidiaries in consolidation scope.

(3) There were no other receivables from shareholder entities holding more than 5% (including 5%) voting shares of the Company in the reporting period.

(4) Top 5 entities on other receivables at the period-end

Item	Relation with the Company	Amount	Nature	Age	Proportion in total other receivables (%)
Shanghai Jinhao	Related party	186,500,000.00	Business-running funds	Within 2 years	55.90
Hengxin Securities	Non-related party	29,502,438.53	Treasury bond deposit	Over 3 years	8.84
Gujing Glass	Related party	17,790,033.27	Charges for water, electricity, and gas	Within 6 months	5.33
Minfa Securities	Non-related party	12,879,010.28	Treasury bond deposit	Over 3 years	3.86
Capital-Bridge Securities	Non-related party	12,835,000.00	Treasury bond deposit	Over 3 years	3.85
Total		259,506,482.08			77.78

3. Long-term equity investment

（1）Details of long-term equity investment

Name of investee company	Accounting Method	Initial investment cost	Proportion of shareholding %	Proportion of voting rights%	Explanation for the difference between shareholding proportion and voting rights proportion
Gujing Sales	Cost method	84,864,497.89	100.00	100.00	
Gujing Motor Transportation	Cost method	6,875,743.00	100.00	100.00	
Gujing Glass	Cost method	65,795,666.00	100.00	100.00	
Hefei Trading	Cost method	9,900,000.00	100.00	100.00	

Name of investee company	Accounting Method	Initial investment cost	Proportion of shareholding %	Proportion of voting rights%	Explanation for the difference between shareholding proportion and voting rights proportion
Gujing Inn	Cost method	648,646.80	100.00	100.00	
Shanghai Jinhao	Cost method	49,906,854.63	100.00	100.00	
Total		217,991,408.32			

Con:

Name of investee company	Opening balance	Changes in current year	Closing balance	Provision for impairment	Provision for impairment loss for reporting period	Cash dividend
Gujing Sales	84,864,497.89	0.00	84,864,497.89	0.00	0.00	0.00
Gujing Motor Transportation	6,875,743.00	0.00	6,875,743.00	0.00	0.00	0.00
Gujing Glass	65,795,666.00	0.00	65,795,666.00	0.00	0.00	0.00
Shanghai Trading	9,900,000.00	-9,900,000.00	0.00	0.00	0.00	0.00
Hefei Trading	9,900,000.00	0.00	9,900,000.00	0.00	0.00	0.00
Shanghai Jinhao	49,906,854.63	0.00	49,906,854.63	0.00	0.00	0.00
Gujing Inn	648,646.80	0.00	648,646.80	0.00	0.00	0.00
Total	227,891,408.32	-9,900,000.00	217,991,408.32	0.00	0.00	0.00

4. Operating income and cost

(1) Operating income

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Main operating income	909,857,567.78	471,613,698.56
Other operating income	16,339,919.26	23,170,239.16
Total operating income	926,197,487.04	494,783,937.72
Main operating Cost	377,328,510.59	188,744,723.93
Other operating Cost	16,258,539.02	23,287,490.74
Total operating cost	393,587,049.61	212,032,214.67

（2）Main business（listed according to categories of products）

Product	Jan.-Jun. 2011		Jan.-Jun. 2010	
	Operating income	Operating cost	Operating income	Operating cost

White spirit	909,857,567.78	377,328,510.59	471,613,698.56	188,744,723.93
Total	909,857,567.78	377,328,510.59	471,613,698.56	188,744,723.93

（3）Details of operating income from top five clients:

Client	Operating income	Proportion in total operating income of the Company (%)
No.1	905,072,211.18	97.72
No.2	3,617,961.28	0.39
No.3	228,153.85	0.02
No.4	63,076.92	0.01
No.5	61,538.46	0.01
Total	909,042,941.69	98.15

5. Investment income

(1) Details of investment income

Items	Jan.-Jun. 2011	Jan.-Jun. 2010
Long-term equity investment income measured by cost method	0.00	0.00
Investment income arising form disposal of long-term equity investment	299,516.89	0.00
Investment income arising from disposal of tradable financial assets	0.00	645,653.65
Total	299,516.89	645,653.65

6. Supplemental information for cash flow statement

Supplemental information	Jan.-Jun. 2011	Jan.-Jun. 2010
1 Adjusting net profit to cash flow from operating activities：		
Net profits	103,385,979.87	46,863,787.69
Add：Provision for assets impairment loss	0.00	0.00
Depreciation of fixed assets 、 oil and gas assets and productivity biological assets	11,280,687.88	10,356,089.21
Amortization of intangible assets	651,701.76	650,543.58
Amortization of Long-term deferred expenses	442,694.08	0
Loss on disposal of fixed assets、intangible assets and other long-term assets (The gain is listed beginning with "-")	0.00	0.00
Losses on scraped fixed assets (The gain is listed beginning with "-")	0.00	27,794.00
Losses from fluctuation in fair values (The gain is listed beginning with "-")	0.00	0
Financial costs (The gain is listed beginning with "-")	0.00	79,200.00
Losses on investment (The gain is listed beginning with	-299,516.89	-645,653.65

Supplemental information	Jan.-Jun. 2011	Jan.-Jun. 2010
"-")		
Decrease of deferred income tax assets (The increase is listed beginning with "-")	-28,970.12	16,647,468.80
Increase of deferred income tax liabilities (The decrease is listed beginning with "-")	0.00	0
Decrease of inventories (The increase is listed beginning with "-")	-20,559,558.30	-21,967,792.28
Decrease of operating receivables (The increase is listed beginning with "-")	-282,107,433.40	-70,304,525.75
Increase of operating payables (The decrease is listed beginning with "-")	456,437,762.72	142,946,838.52
Others	0.00	0
Net cash flow arising from operating activities	269,203,347.60	124,653,750.12
2 Significant investment and financing activities that not relate to cash flows:		
Debts convert to capital	0.00	0.00
Convertible corporate bond due within 1 year	0.00	0.00
Finance leased fixed assets	0.00	0.00
3 Net increase (decrease) of cash and cash equivalents:		
Ending balance of cash	590,395,007.96	326,240,638.24
Less: Beginning balance of cash	480,737,398.56	279,382,070.44
Add : Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	109,657,609.40	46,858,567.80

XI. Supplemental information

1. List of current extraordinary profits or losses of this period

Item	Amount	Explanation
Gains and Losses on disposal of non-current assets	0.00	
Refunding and exemption of taxes in excess of authority or without official approval documents	0.00	
Government subsidies recorded into current income account, except for those government subsidies closely related to the Company's business, and sustainably received by quota or ration according to the state's unified standard	0.00	
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss	0.00	
Gain/loss from differences between the investment cost from subsidiaries, associated enterprise, as well as joint ventures and the fair value of recognizable net asset of the invested entities	0.00	

Item	Amount	Explanation
Gain/loss from non-monetary assets	0.00	
Gain/loss from commissioned investment or assets	0.00	
Asset impairment provisions provided for force-majeure, for example, natural disasters	0.00	
Gain/loss from debt reorganization	0.00	
Enterprise reorganizing expenses, such as employee placement fee and integration fee	0.00	
Gain/loss from trade departing from fair value	0.00	
Current net gain/loss of subsidiaries under same control from beginning of term till date of consolidation	0.00	
Gain/loss generated by contingent liabilities without connection with main businesses	0.00	
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses	0.00	
Restoring of receivable account impairment provision tested individually	0.00	
Gain/loss from commissioned loans	0.00	
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	0.00	
Influence of one-time adjustment made on current gain/loss account according to the laws and regulations regarding tax and accounting	0.00	
Consigning fee received for consigned operation	0.00	
Other non-business income and expenditures other than the above	5,630,601.37	
Other gain/loss items satisfying the definition of nonrecurring gain/loss account	0.00	
Subtotal	5,630,601.37	
Less: the amount from income tax effect	1,407,650.34	
the impact from minority interests	0.00	
Total (after tax)	4,222,951.03	

2. Yield Rate of Net Assets and Earnings Per Share

Profit of reporting period	Reporting periods	Weighted Average Yield Rate of Net Assets%	Earnings Per Share(Yuan per share)	
			Basic EPS	Basic EPS
Net profits attributable to ordinary shareholders	Jan.-Jun. 2011	24.99	1.23	1.23
	Jan.-Jun. 2010	13.09	0.46	0.46

Net profits attributable to ordinary shareholders	Jan.-Jun. 2011	24.62	1.21	1.21
	Jan.-Jun. 2010	12.39	0.43	0.43

3. Abnormalities in main items in financial statements of the Company and reasons thereof

(1) Notes receivable at the period-end were up by 307.75% as compared with the opening amount, which was mainly due to increase of income in the reporting period and notes receivable were adopted more often for settlement;

(2) Accounts receivable at the period-end were up by 223.20% as compared with the opening amount, which was mainly due to increase of the sales income;

(3) Prepayments at the period-end were up by 205.26% as compared with the opening amount, which was mainly because the expenses incurred due to the seasonal production halt were recognized as deferred expenses;

(4) Other receivables at the period-end were up by 25.49% as compared with the opening amount, which was mainly because the Company paid compensations for relocation on other's behalf in the reporting period;

(5) Intangible assets at the period-end were up by 30.09% as compared with the opening amount, which was mainly because the Company paid for land purchased for projects invested with raised funds;

(6) Long-term deferred expenses at the period-end were down by 25.00% as compared with the opening amount, which was mainly due to amortization for the reporting period;

(7) Accounts received in advance at the period-end were up by 155.19% as compared with the opening amount, which was mainly due to increase of operating revenues and advances from customers in the reporting period;

(8) Other payables at the period-end were up by 56.40% as compared with the opening amount, which was mainly because guaranty deposits received by the Company increased due to the sales growth and the large-scale repair expenses during the seasonal production halt were not yet settled;

(9) Other current liabilities at the period-end were down by 50.00% as compared with the opening amount, which was mainly due to amortization of deferred incomes for the reporting period.

(10) Operating income in the reporting period was up by 84.89% year on year, which was mainly due to increase of the distilled spirit sales volume and the selling prices in the reporting period;

(11) Operating cost in the reporting period was up by 67.57% year on year, which was mainly due to the sales increase in the reporting period;

(12) Business taxes and surcharges in the reporting period were up by 84.92% year on year, which was mainly due to the sales increase in the reporting period;

(13) Selling expenses in the reporting period were up by 68.89% year on year, which was mainly due to a higher input for advertising and market expansion in the reporting period;

(14) Administrative expenses in the reporting period were down by 187.75% year on year, which was mainly due to increase of interest income from term deposits and structural deposits, as well as services fees charged on notes in the reporting period;

(15) Income tax expenses in the reporting period were up by 179.76% year on year, which was mainly due to increase of the total profit for the reporting period.

4. Approval of financial statements

This financial statement are approved and authorized for issuance by the Board of Directors on 18 Aug. 2011.

Chapter VII Documents Available for Reference

I. Accounting Statements carried with signatures and seals of Legal Representative Head of the Accounting Work, as well as Principal of the Accounting Organ (Accounting principal).
II. The original copy of all company files and manuscript of public notices ever disclosed in China Securities Journal and Hong Kong Ta Kung Pao in the reporting period.
III. Other related documents.

Board of Directors
Anhui Gujing Distillery Company Limited
18 Aug. 2011