



# **Yantai Changyu Pioneer Wine Co. Ltd.**

## **2014 Annual Report**

**2015 Final 01**

**April, 2015**

# Contents

<b>I、 Important Notice and Definition.....</b>	<b>3</b>
<b>II、 Brief Introduction for the Company .....</b>	<b>6</b>
<b>III、 Summary of Accounting Datas and Financial Indicators .....</b>	<b>9</b>
<b>IV、 Board of Directors’ Report .....</b>	<b>12</b>
<b>V、 Major Issues .....</b>	<b>36</b>
<b>VI、 Changes in Shares and the Shareholders’ Situation .....</b>	<b>44</b>
<b>VII、 Related Situation for preferred shares .....</b>	<b>53</b>
<b>VIII、 Situation for Directors, Supervisors, Senior Managers and staffs.....</b>	<b>54</b>
<b>IX、 Corporate Governance .....</b>	<b>63</b>
<b>X、 Internal Control .....</b>	<b>72</b>
<b>XI、 Financial Report .....</b>	<b>75</b>
<b>XII、 Reference Documents .....</b>	<b>178</b>

## I. Important Notice and Definition

The Board of Directors, the Board of Supervisors, directors, supervisors & senior managers of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report and confirm that to the best of their knowledge and belief there are no unfaithful facts, significant omissions or misleading statements.

Except the following directors, other directors all personally attended the meeting for deliberating the annual report.

Absent directors	Directors' post	Absent reason	Authorized person
Mr. Augusto Reina	Director	Due to working	Mr. Sun Liqiang
Mr. Aldino Marzorati	Director	Due to working	Mr. Zhou Hongjiang
Mr. Antonio Appignani	Director	Due to working	Mr. Leng Bin
Mr. Xiao Wei	Independent Director	Due to working	Mr. Wang Zhuquan

The Company's preliminary scheme of profit distribution deliberated and passed by the board of the directors is as following: "Based on 685,464,000 shares, we plan to pay CNY 4.40 in cash as dividends for every 10 shares (including tax) to the Company's all shareholders, send 0 bonus(including tax) and capital reserve will not be transferred to equity."

Mr. Sun Liqiang (Chairman of the Company), Mr. Leng Bin (Chief Financial Officer) and Mr. Jiang Jianxun (Financial Director) assure the truthfulness, accuracy and completeness of the financial report in the annual report.

## Definition

Definition Item	Refers to	Definition Content
Company/The Company	Refers to	Yantai Changyu Pioneer Wine Co. Ltd.
Changyu Group/Controlling Shareholder	Refers to	Yantai Changyu Group Co. Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
Deloitte Hua Yong	Refers to	Deloitte Hua Yong Certified Public Accountants Co., LTD (special general partnership)
CNY	Refers to	Chinese Yuan

## **Significant Risk Warning**

1. The Company may face significant risks in production and operation, please refer to “8.expectation for the Company’s future development” sector of “5. Risks likely to occur” part in the chapter four named “Board of Directors’ Report”. We advise investors to read carefully and pay attention to the investment risks.
2. The business plan and target in the report do not represent the earnings forecast of the listed company in 2015, which depends on several factors including the changes of market conditions and the effort extent of managing team etc. with a great uncertainty, so the investors should be in a special attention.

## II、Brief Introduction for the Company

### 1、Company's information

Abbreviation of the Shares:	Changyu A、Changyu B	Code number of the Shares	000869、200869
Abbreviation of the Shares after alteration (if have)	—		
Place of listing of the Shares	Shenzhen Stock Exchange		
Legal Name in Chinese	烟台张裕葡萄酿酒股份有限公司		
Abbreviation of Chinese name	张裕		
Legal Name in English	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English name	CHANGYU		
Legal Representative	Mr. Sun Liqiang		
Registered Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Office Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Website	<a href="http://www.changyu.com.cn">http://www.changyu.com.cn</a>		
E-mail	<a href="mailto:webmaster@changyu.com.cn">webmaster@changyu.com.cn</a>		

### 2、Contact person and information

	Secretary to the Board of Directors	Authorized Representative of the Securities Affairs
Name	Mr. Qu Weimin	Mr. Li Tingguo
Address	56 Dama Road, Yantai, Shandong, China	56 Dama Road, Yantai, Shandong, China
Tel	0086-535-6633656	0086-535-6633656
Fax	0086-535-6633639	0086-535-6633639
E-mail	<a href="mailto:quwm@changyu.com.cn">quwm@changyu.com.cn</a>	<a href="mailto:stock@changyu.com.cn">stock@changyu.com.cn</a>

### 3、Information disclosure and filing location

The newspapers in which the Company's information is disclosed	"China Securities Newspaper" , "Securities Times" and "Hong Kong Commercial Daily"
Web Site assigned by CSRC to carry the annual report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Filing location	Board of Directors' Office of the Company, 56 Dama Road, Yantai, Shandong

### 4、Registration changes

	Registration Date	Registration Place	Business License No.	Tax No.	Organization Code
First registration	September 18 <sup>th</sup> , 1997	the Business Administration Bureau of Shandong Province	3700001806012	State Taxation Bureau 37060216500338-1 Local Taxation Bureau 370601267100035	26710003—5
Registration at the end of the report period	1 <sup>st</sup> August, 2012	the Business Administration Bureau of Shandong Province	370000018060122	State Taxation Bureau 37060216500338-1 Local Taxation Bureau 370601267100035	26710003—5
Changes for the main business of the Company since it was listed (if have)	<p>On 18<sup>th</sup> September 1997 the Company's operating scope was the production, processing and sales of wine, distilled liquor, healthy liquor, fruit liquor, non-alcohol beverages, fruit jam, packing materials and winemaking machines.</p> <p>On 17<sup>th</sup> April 2008, after the deliberation of 2007 shareholders' meeting, the Company's operating scope is amended to "the Company, legally registered, is in business of production, processing and sales of wine, distilled liquor, medicated liquor, fruit liquor, non-alcohol beverages, fruit jam, packing materials and winemaking machines; licensed import and export."</p> <p>On 12<sup>th</sup> May 2010, after the deliberation of 2009 shareholders' meeting, the Company revised its operating scope to "the Company, legally registered, is in business of production, processing and sales of wine, distilled liquor, medicated liquor, fruit liquor, non-alcohol beverages, fruit jam, packing materials and its products, winemaking machines; licensed import and export; external investments according to governmental policies."</p>				
Changes for all previous controlling shareholders (if have)	No.				

## 5、Other documents

The accountant appointed by the Company

Name	Deloitte Hua Yong Certified Public Accountants Co., LTD (special general partnership)
Address	No. 1 East Chang'an Avenue, Dongcheng District, Beijing
Name of signatory accountants	Xu Zhaohui, Li Xu

The sponsor agency the Company appointed to perform the duty of continuous supervision during the report period

☐ Available    ☒ Not available

The financial adviser the Company appointed to perform the duty of continuous supervision during the report period

☐ Available    ☒ Not available



### III、Summary of Accounting Datas and Financial Indicators

#### 1、Key accounting data and financial indicators

Whether the Company makes retroactive adjustments or restates the accounting data of previous fiscal years because of changes of accounting policy and/or accounting errors.

☐ Yes ☒ No

Unit: CNY

Item	2014	2013	More or less than Last year (%)	2012
Business revenue	4,156,727,525	4,320,948,572	-3.80%	5,643,530,553
Net profit attributed to the shareholders of the listed company	977,707,711	1,048,185,927	-6.72%	1,700,928,117
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss	950,191,379	1,017,348,285	-6.60%	1,675,956,428
Net cash flows from the operating activities	1,070,083,296	735,074,307	45.57%	1,302,041,322
Basic earnings per share	1.43	1.53	-6.54%	2.48
Diluted earnings per share	1.43	1.53	-6.54%	2.48
Weighted average for earning rate of the net assets	13.96%	16.45%	-2.49%	31.13%
	Dec. 31st 2014	Dec. 31st 2013	More or less than Last year (%)	Dec. 31st 2012
Total assets	8,912,232,640	7,997,930,542	11.43%	8,123,134,580
Net Assets attributed to the shareholders of the listed company	6,840,452,145	6,208,279,705	10.18%	5,913,104,178

## 2、Differences in accounting data under PRC accounting standards and international accounting standards

(1) Differences of net profit and net asset in the financial report disclosed according to both international accounting standards and PRC accounting standards

☐ Available ☒ Not available

There are no differences of net profit and net asset in the financial report disclosed according to both international accounting standards and PRC accounting standards during the report period.

(2) Differences of net profit and net asset in the financial report disclosed according to both foreign accounting standards and PRC accounting standards

☐ Available ☒ Not available

There are no differences of net profit and net asset in the financial report disclosed according to both foreign accounting standards and PRC accounting standards during the report period.

## 3、Item and amount of irregular profit and loss

☒ Available ☐ Not available

Unit: CNY

Item	2014	2013	2012	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	-5,086,545.00	271,989.00	-1,940,260.00	
Tax refund or exemption that is either non-recurring or without proper approval	13,405,520.00	-	-	
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	27,140,194.00	36,659,754.00	23,393,756.00	
Other non-operating income and non-operating expenses except the aforementioned items	166,987.00	3,302,760.00	10,953,355.00	
Reversal of impairment loss for receivables which was separately undertaken impairment test	192,908.00			
Less. Income tax effect	8,302,732.00	9,396,861.00	7,435,162.00	
Total	27,516,332.00	30,837,642.00	24,971,689.00	--

The reasons shall be made clear and definitely as to the irregular profit and loss that the Company has defined by virtue of the *Explanatory Announcement on Public Company's Information*

*Disclosure No.1 - Irregular Profit and Loss* and as to regarding the irregular profit and loss as recurrent profit and loss as specified in the *Explanatory Announcement on Public Company's Information Disclosure No.1 - Irregular Profit and Loss*.

☐ Available    ☒ Not available

There is no situation that the irregular profit and loss is defined and specified as recurrent profit and loss in accordance with the *Explanatory Announcement on Public Company's Information Disclosure No.1 - Irregular Profit and Loss* during the report period.

## IV、Board of Directors' Report

### 1、Summarization

In 2014, continuously influenced by the multiple negative factors such as the slowdown of domestic economic growth, overwhelming flow of foreign wine into Chinese market and the relative national policies as so on, the effective demands for premium wine products in domestic wine is weakness, the medium level wine suitable for mass consumption maintains a sound momentum of growth. But the whole market competition is still fierce, which brought a strong pressure to the Company's operation growth. Facing quite a lot of external disadvantages, the Company insists to focus on the market, adjust the marketing tactics and product structure, strive to develop medium and low level products, optimize the market layout, perfect the marketing channels and effort to promote product sales, Preliminary control the unfavorable situation of the sharp decline in sales revenue year-on-year. In the year, the Company realized business income of CNY 4156.73 million, 3.8% down on year-on-year basis; but due to the impact of decreasing the proportion of the sales in the products with high gross profit margin and increasing the proportion of the sales in the products with the low profit margin, the Company realized net profit of CNY 977.71 million, 6.72% down on year-on-year basis.

### 2、Analysis to main business

#### (1)、Summarization

Description	Increase or decrease of the end of the period over the end of last year	Cause of major changes
Operating revenue	-0.38%	Mainly because of decline of sales volume in the high price products
Operating cost	1.07%	Mainly because of the increase of sales volume, especially the proportion of sales in medium-low price products increased
Sales expense	-11.82%	Mainly because of reduction of advertising expense in 2014
Management expense	4.68%	Mainly because of increase of wage & welfare, depreciation and Property tax in 2014 over the last year before
R&D investment	7.47%	Mainly because of increase of expenses for the development of technology research in 2014
Financial expense	7.72%	Mainly because of reduction of interest income due to decrease of time deposit balance, and the increase

		of loan interest expenditure.
Net amount of cash flow generated in operating activities	45.57%	Mainly because of the decline of sales expenditure that makes inflow of cash in operating activities decrease
Net amount of cash flow generated in investment activities	-75.53%	Mainly because of increase of cash expenditure for the investment projects
Net amount of cash flow generated in capital-raising activities	90.22%	Mainly because of the increase of cash received which gains via debt

Review and summary for the early disclosed development strategy and the progress of the Company's business plan during the report period.

During the report period, influenced by the decelerated growth on the demand for domestic wine, market competition intensifies and the great recession on the demand for the premium wines, the business income of the Company completed CNY 4.2 billion, decreased by 3.8 % compared by last year, and far from the target fixed in the beginning of the year of realizing business income no less than CNY 4.6 billion. In order to deal with the unfavorable business environment, the Company carried out the operation strategy of steady development in the medium and high-end wines, and vigorous expansion for the low-level wines, brandy and imported wines with own brands. While making efforts to promote the development of medium and high-end wines, the Company made an appropriate tilt on marketing resources to the medium and low level wines, brandy and imported wines with own brands for meeting the market demand, which played an important part in reversing the decline on the business income. The main work in the report period is as following:

Firstly, to adjust and neat sales system, optimize and perfect marketing modes. The Company established three-level human resources management system, regulate and establish the management system of classification and decentralization of authority. To perfect the assessment methods of Province manager, city manager, and professional manager, basic formations for Dynamic management mechanism 'selected, promotion, talent pool, quit'. External assignment marketers being fully neatened and readjusted, a part of staffs being settled down via the distributary method. To further perfect the sales organization system consisted by three channels such as medium-high channel, medium-small channel, county-level channel and some companies such as direct-supplying company, pioneer monopoly shops, VIP Group purchase Company, tourism sales company, E-commerce, medium-small restaurant sales company as so on. To strive to develop various sales modes such as direct-supplying and semi-direct supplying etc. To reinforce the terminal development and control abilities, promote terminal sales. to further clear and definite the main push area and channels of different liquor, improve the pertinence and effectiveness of marketing. To strengthen the efforts for each basic management assessment, to evaluate the professional management work for different channel, company and province which focus on 'terminal work', 'marketing program', and 'the team construction of distributors and delivery dealers', to promote every marketing strategy and measure being implement faster and better.

Secondly, to accelerate the informatization, standardization construction and management innovation. The Company has implemented the second phase of SAP system project, which has been completely constructed and used in the sales system, in order to reinforce the abilities of marketing prediction, response and controlling. Logistic management has achieved products' palletization for warehouse, management and transport, improve and optimize warehouse materials, and achieved the target of unified storage and delivery all over the country. Open video conference system coverage of the provincial areas, improve conference efficiency, save conference cost. Continuous to around the future development purpose and current major issue to be addressed in management, production, technology and marketing, proposed and completed over 500 items of the innovative and reasonable projects, which brought the related works and management level to a new step.

Thirdly, to reinforce the construction of the vineyard bases, regulate the vineyard bases management, the successful completion of the work on grape purchase, further improve the research and development ability on new product and new technology. the Company purchased 37 sets of machinery equipments, took construction and management for Yantai vineyard bases in accordance with the criterion of scalization, standardization and mechanization. In accordance with different vineyard bases, which implement the classified management, make the vineyard management more scientific and standards. Strictly follow the price forming mechanism for raw material of grape as the market-set price, better quality better price, price on quality and the linkage mechanism for grape price to integrate with the world market and domestic market, which brought more fair and reasonable price for the Company's purchased grapes. Not only to make sure that the Company can purchases enough raw material of grape with best quality, further improve the Company's products' cost performance and competitiveness, but also to promote the technology upgrading of grape cultivating in the domestic vineyards which helps lower cultivated cost and achieve better economic benefit. During the report period, the Company carried out over 20 items for new technology and new processes and technologies, applied for three key Provincial Technology Innovation project, obtained one item for Scientific and Technological Progress Award issued by China National Light Industry in 2014 annual year. Newly-introduced products of 'zuishixian'serial have been generally welcomed by consumers, the market reflects well.

Fourthly, to steadily carry out the capital investment projects, increase development's aftereffect. During the report period, the Company has overcome the various problems and difficulties, steadily carry forward the construction of 10 investment projects which were defined at the beginning of the year, the key investment projects run smoothly.

The cause of difference that the Company's actual operating result is 20% lower or higher than the already disclosed annual profiting estimates.

☐ Available ☒ Not available

the situation changes of main operation model

☐ Available ☒ Not available

## **(2)、Incomes**

During the report period, the sales from brandy products is at a relatively stable; both sales volume and sales revenue of ordinary red wine, sweet wine and sparkling wine has a slight increase on

year-on-year basis. The sales volume and sales revenue of chateau wine with high selling-price continues to decrease in different degree. Comprehensively Influenced by the aforementioned factors, the operating revenue of the Company has a slight drop on year-on-year basis.

Whether the Company's sales revenue for material object is more than labor income

☒ Yes ☐ No

Unit: Ton

Sector	Description	2014	2013	Year-on-year increase or decrease (%)
Wine	Sales volume	71,854	67,978	5.70%
Brandy	Sales volume	37,462	37,713	-0.67%

Explanation on the causes of over 30% year-on-year changes of the related comparison data.

☐ Available ☒ Not available

The Company's big orders in hand

☐ Available ☒ Not available

Major changes or adjustments of the Company's products or services during the report period.

☐ Available ☒ Not available

The Company's important customers

The total sales amount of the top five customers (CNY)	142,440,887
Total sales of the top five customers accounting for the proportion in total sales for the year (%)	3.43%

Information on the Company's 5 biggest customers

☒ Available ☐ Not available

No.	Customer Name	Sales Amount (CNY)	Proportion in Total Sales for the year (%)
1	ChangyueXin trade company in Shenzhen city	36,611,149	0.88%
2	Dali Qianxingrong wine shop at Nanhai district of Foshan city	35,104,002	0.84%
3	Quanxing wine shop in Luocheng village, Hui'an town	26,583,492	0.64%
4	Xiyu trade company in Nanjing city	22,961,125	0.55%
5	Chuxin trade company in Guangzhou city	21,181,120	0.51%

Total	—	142,440,887	3.43%
-------	---	-------------	-------

Other situation explanation of main customers

☐ Available ☒ Not available

### (3)、Costs

Sector category

Unit: CNY

Sector	Description	2014		2013		Year-on-year increase or decrease(%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic beverages	Liquor for bottling	749,104,077	55.29%	681,263,276	51.27%	4.02%
	Packing material	446,560,533	32.96%	500,978,025	37.70%	-4.74%
	Wages	53,632,561	3.96%	50,892,703	3.83%	0.13%
	Production cost	105,480,406	7.79%	95,663,454	7.20%	0.59%

Product category

Unit: CNY

Product	Description	2014		2013		Year-on-year increase or decrease(%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Wine	Liquor for bottling	537,755,135	53.20%	475,798,429	49.57%	3.63%
	Packing material	344,532,740	34.08%	365,596,609	38.09%	-4.00%



	Wages	39,214,439	3.88%	37,909,423	3.95%	-0.07%
	Production cost	89,361,588	8.84%	80,584,406	8.40%	0.44%
Brandy	Liquor for bottling	161,946,222	58.37%	168,174,140	56.48%	1.88%
	Packing material	88,601,388	31.93%	103,136,386	34.64%	-2.71%
	Wages	13,099,354	4.72%	12,262,608	4.12%	0.60%
	Production cost	13,822,841	4.98%	14,181,985	4.76%	0.22%

Note:

Comparing with the same period of last year, there is no great changes for the products' cost structure.

#### Information on the Company's important suppliers

The total purchase amount of the top 5 suppliers	451,075,314
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount	33.28%

#### Information on the Company's top 5 biggest suppliers

☒ Available   ☐ Not available

No.	Supplier Name	Purchase Amount (CNY)	Proportion in Total Purchase for the year (%)
1	Yantai Shenma Packaging Co., Ltd.	149,536,913	11.03%
2	Yantai Changyu Glass Co., Ltd.	126,295,616	9.32%
3	152 regiment of the eighth agriculture production division	67,846,664	5.01%
4	Liquan subsidiary of Shandong Yantai Winery Co., Ltd.	55,142,494	4.07%
5	Yantai Wanfutai Winery Co., Ltd	52,253,626	3.86%
Total		451,075,314	33.28%

Other situation explanation of main customers

☐ Available ☒ Not available

#### (4)、Expenses

During the report period, the Company's sales expense reduced 11.82% on year-on-year basis, mainly due to the decrease of advisement promotion, the management expenses with a year-on-year growth of 4.68%, mainly due to the increase on wages and welfare, depreciation and administration; financial expense rises 7.72%, mainly due to the reduction of deposit interest income and the increase of loan interest expenditure.

#### (5)、R&D expenditure

In 2013 the Company's R&D expenditure was totally CNY 13.23 million, respectively take up 0.19% of net asset and 0.31% of operating revenue which are the latest financial data being audited, there are no major changes generated on year-on-year basis.

#### (6)、Cash flow

Unit: CNY

Item	2014	2013	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	4,830,092,384.00	4,836,656,367.00	-0.14%
Subtotal of cash outflow in operating activities	3,760,009,088.00	4,101,582,060.00	-8.33%
Net amount of cash flow generated in operating activities	1,070,083,296.00	735,074,307.00	45.57%
Subtotal of cash inflow in investment activities	333,107,299.00	1,326,601,601.00	-74.89%
Subtotal of cash outflow in investment activities	1,315,841,068.00	1,886,457,048.00	-30.25%
Net amount of cash flow generated in investment activities	-982,733,769.00	-559,855,447.00	-75.53%
Subtotal of cash inflow in capital-raising activities	644,550,372.00	259,530,444.00	148.35%
Subtotal of cash outflow in capital-raising activities	720,926,810.00	1,040,484,398.00	-30.71%

Net amount of cash flow generated in capital-raising activities	-76,376,438.00	-780,953,954.00	90.22%
Net increase of cash and cash equivalents	3,913,342.00	-605,735,094.00	100.65%

Explanation on the causes of over 30% year-on-year changes of the related data.

☒ Available   ☐ Not available

Comparing with the same period of last year, subtotal of cash inflow in investment activities was reduced by 74.89%, mainly due to the significant decrease in the fixed deposit whose duration is more than 3 months; subtotal of cash outflow in investment activities was reduced by 30.25%, mainly due to the significant decrease in cash paid for purchasing fixed deposit whose duration is more than 3 months; net amount of cash flow generated in investment activities was reduced by 75.53%, mainly due to the increase of cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets; subtotal of cash inflow in financing activities increased by 148.35%, mainly due to the increase of cash received from borrowing, net amount of cash outflow generated in financing activities was reduced by 30.71%, mainly due to the decrease in cash paid for dividends distribution; Net amount of cash flow generated in financing activities was increased 90.22%, mainly due to the growth of cash inflow but the decrease in cash outflow in investment activities; net increased amount of cash and cash equivalents increased by 100.65%, mainly due to the significant growth of net amount of cash flow generated both in operating activities and in financing activities.

Explanation on the causes of the major differences between the cash inflow in the Company's operating activities and the years' net profit during the report period.

☐ Available   ☒ Not available

### 3、Structure of main businesses

Unit: CNY

	Operating revenue	Operating cost	Gross profit (%)	Increase or decrease of operating revenue over the year before (%)	Increase or decrease of operating cost over the year before (%)	Increase or decrease of gross profit over the year before (%)
Sector						
Liquor and alcoholic beverages	4,113,169,270	1,354,777,577	67.06%	-3.76%	1.36%	-1.66%
Product						
Wine	3,201,368,831	1,010,863,902	68.42%	-3.91%	5.31%	-2.76%
Brandy	813,417,868	277,469,806	65.89%	-0.64%	-6.81%	3.55%
Region						
Domestic	4,072,037,577	1,342,584,579	67.03%	-4.33%	1.14%	-1.78%

In case the Company's statistical calibre of main business data is adjusted during the report period, the main business data adjusted at the end of the report period will be taken for the recent one year.

☐ Available ☒ Not available

### 4、Analysis to assets and liabilities

#### (1)、Major changes of assets

Unit: CNY

	At the end of 2014		At the end of 2013		Proportion increase or decrease (%)	Explanation on major changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,145,365,071	12.85%	1,367,818,182	17.10%	-4.25%	—
Receivables	145,672,411	1.63%	177,109,516	2.21%	-0.58%	—
Inventory	2,087,376,398	23.42%	2,121,117,437	26.52%	-3.10%	—
Investment real estate	—	—	—	—	—	—
Long-term equity investments	—	—	—	—	—	—

Fixed assets	2,532,682,355	28.42%	1,917,641,344	23.98%	4.44%	—
Construction in progress	1,700,466,500	19.08%	1,423,654,530	17.80%	1.28%	—

## (2)、Major changes of liabilities

Unit: CNY

	2014		2013		Proportion increase or decrease (%)	Explanation on major changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Short-term borrowings	300,000,000	3.37%	243,170,674	3.04%	0.33%	--
Long-term borrowings	209,380,000	2.35%	0	0%	2.35%	--

## (3)、Measuring assets and Liabilities at Fair Value

☐ Available    ☒ Not available

## (4)、Main oversea assets situation

☐ Available    ☒ Not available

## 5、Analysis to core competitiveness

Compared with the participants in the arena of the Chinese wine sector, we believe that the Company is provided with the following advantages:

Firstly, the Company has been enjoying a well-known wine brand since 120-odd years, “Changyu”, “Jiebaina” and “AFIP” are Chinese famous trademarks that have strong influence and good reputation.

Secondly, the Company has set up a nationwide marketing network, formed a “three-level” marketing network system mainly composed of the company’s salesmen and distributors, possessed the strong marketing ability and market exploitation ability.

Thirdly, the Company has already had strong research strength and a product R&D system, owned a one and only “State-level Wine R&D Center”, made mastery of advanced winemaking technology and production processes, been powerful enough in product innovation and established a perfect quality control system.

Fourthly, the Company is in possession of a lot of grape-growing bases to meet its future development, having developed a great deal of vineyards in the most suitable areas for wine grape growing such as in Shandong, Ningxia, Xinjiang, Liaoning, Hebei and Sha’anxi, whose scales and structures have generally met the Company’s needs for development.

Fifthly, the Company has a great variety of products composed of all grades, its wine and brandy of over 100 sorts can meet different consumers’ demands. The Company has taken the lead in the domestic wine sector through rapid development in the past 10-odd years and has possessed comparative superiority in the future competition.

All in all, the Company has built up a strong core competitive edge and obtained and maintained a relatively dominant position in the long-term market competition.

## 6、Investment situation analysis

(1)、Information on Oversea equity investment situation

a) Information on Oversea investment

☒ Available    ☐ Not available

Information on Oversea equity investment		
Investment amount during the report period	Investment amount compared with the same period of last year	Amount of variation
69,216,634.00	0.00	100.00%
Information on the invested company		
Company Name	Main business	The listed Company occupied by the equity proportion of the invested company
Francs Champs Participations	Engage in investment, merger & acquisition, production & distribution of liquor such as wine and brandy, as well as import and export trade	100%

b) the situation of holding financial company equity

☐ Available ☒ Not available

There is no holding financial company equity for the Company during the report period.

c) Security Investment situation

☐ Available ☒ Not available

There is no security investment for the Company during the report period.

d) The explanation of the situation which related to hold other listed company's equity.

☐ Available ☒ Not available

There is no holding other listed company's equity for the Company during the report period.

(2)、The situation of Entrust financing, derivatives investment and entrust loans

a) Entrust financing situation

☐ Available ☒ Not available

There is no entrust financing for the Company during the report period.

b) Derivatives investment

☐ Available ☒ Not available

There is no derivatives investment for the Company during the report period.

c) Entrust loans

☐ Available ☒ Not available

There is no entrust loans for the Company during the report period.

(3)、The usage situation of the raised capital

☐ Available ☒ Not available

There is no usage situation of the raised capital for the Company during the report period.

(4)、Analysis to the major subsidiaries and joint stock companies

☒ Available ☐ Not available

Information about the major subsidiaries and joint stock companies



Unit: CNY

Company name	Company type	Industry	Main products or services	Registered capital	Total assets (CNY)	Net asset (CNY)	Operating revenue (CNY)	Operating profit (CNY)	Net profit (CNY)
Yantai Changyu-Castle Wine Chateau Co. LTD.	Subsidiary	Wine and alcoholic beverages industry	To research, produce and sell wine and sparkling wine as well as the tourism service	USD 5 million	170,314,549	82,093,628	110,684,738	2,666,152	1,887,415
Langfang Castel-Changyu Wine Co. LTD.	Joint stock company	Wine and alcoholic beverages industry	To produce and sell wine	USD 6,108,818	54,216,381	46,463,060	50,335,802	-2,073,597	-507,895
Chateau Changyu AFIP Global	Subsidiary	Wine and alcoholic beverages industry	To research, produce and sell brandy and wine	CNY 110 million	658,167,387	105,905,166	160,547,230	23,833,923	20,881,532
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	Wine and alcoholic beverages industry	To produce ice wine	CNY 26.30 million	74,220,870	64,046,876	51,973,176	-1,607,474	1,599,580
Xinjiang Tianzhu Winery Co., Ltd.	Subsidiary	Wine and alcoholic beverages industry	To plant grape, produce and sell grape juice, bulk wine and fruit wine	CNY 75 million	176,011,481	163,510,352	86,483,652	2,223,269	1,470,239

Explanation on the major subsidiaries and joint stock companies

During the report period, the operating income and net profit of Yantai Changyu Castel Chateau Co. Ltd. respectively increased 30.43% and 49.53% over the same period last year; the operating income and net profit of Chateau Changyu AFIP Global respectively increased 99.36% and 161.99% over the same period last year; the operating income and net profit of Chateau Liaoning Changyu Ice Wine Co., Ltd. respectively increased 109.55% and 144.52% over the same period last year; the operating income and net profit of Xinjiang Tianzhu Winery Co., Ltd. respectively increased 32.52% and 88.95% over the same period last year; operating income of the aforementioned companies were increased, mainly because of the increase of internal sales volume, the growth reason of net profit is mainly due to the increase of internal sales volume and internal clearing price. The operating income and net profit of Langfang Castel-Changyu Wine Co. respectively decreased by 17.05% and 451.36% over the same period last year, its operating income was decreased, mainly because of the reduction of internal sales volume, the reduction reason of net profit is mainly due to the decrease of internal sales volume and internal clearing price. Because of the aforementioned companies belonging to productive organization, its products need to be firstly sold to internal sales organization in the Company, then the internal sales organization will sale those products to external customers via internal sales organization in the Company, therefore, theirs operating income and net profit come from internal sales only.

Acquisition and disposal of subsidiaries during the report period

☐ Available    ☒ Not available

(5)、Important projects financed with non-raised capital

☒Available    ☐Not available

Unit: CNY’0000

Project Name	Total Investm ent	Investment in the repo	Actual investment until the end of the report period	Project progress	Project benefits	Disclosure date	Disclosure index(if have)
Changyu Reina Chateau Sha'anxi	31,074	2,655	31,655	97%	Being completed and put into production for the main building	2014.04.26	<a href="http://www.cninfo.com.cn/finalpage/2014-04-26/63928624.PDF">http://www.cninfo.com.cn/finalpage/2014-04-26/63928624.PDF</a>
Changyu Moser XV Chateau Ningxia	24,415	6,503	30,503	98%		2014.04.26	
Changyu Baron Balboa Chateau XinJiang	23,343	4,097	31,097	98%		2014.04.26	
Changyu International Wine City blending and cooling Center	65,331	13,863	40,863	57%	0	2014.04.26	
Changyu International Wine City Bottling Center	46,736	3,669	29,169	60%	0	2014.04.26	
Changyu International Wine City Logistics Center	12,095	5,544	11,344	85%	0	2014.04.26	
Changyu Vine and Wine Research Institute	20,000	882	4,082	20%	0	2014.04.26	
Treasure Wine Chateau	14,545	473	3,078	20%	0	2014.04.26	
Koyac brandy chateau	16,530	7,300	9,800	40%	0		
Greening investment	5,000	2,597	3,690	70%	0	2014.04.26	
Pioneer Monopoly Shop	10,000	1,755	1,755	50%	0	2014.04.26	
Total	269,069	49,338	197,036	--	--		



**7、Forecast on the business achievement from January to March of 2015**

Caution and explanation for the forecast on the accumulated net profit from the beginning of the year to the end of the next report period, which could probably be in a loss or in a great change comparing with the same period of last year.

☐Available    ☒Not available

**8、Main part situation of the special purpose being controlled by the Company**

☐Available    ☒Not available

**9、Expectation for the Company’s future development**

On the basis of our limited experience and special skills, we make the following estimation of the wine sector and the Company’s future development.

(1)The sector competition setup and development trend

Due to the continuous limitation for the domestic consumption of premium wine in the future long time, the continuing entrance of imported wines to Chinese market, and the great impact for the traditional sales channels caused by the new channels such as E-commerce, the competition in the domestic wine industry will still be awfully fierce in the current and future long time, the consumption for high-end wine maybe continue to remain weak. But in the long run, thanks to increase of their incomes, people’s pursuits to health and fashion life, the people are favoring wines which fit well with the trend of consumption, it will ceaselessly stimulate their demand for quality wine. That’s to say, the Chinese wine sector still has huge potential to tap. Especially the medium-low level wine with high performance-to-price ratio can have a faster growth. In such a case of long-term coexistence of opportunities and challenges, only those enterprises that possess strong branding influence and marketing ability, catch the opportunities, actively take adjustments and make full use of oncoming and traditional sales channels, can timely get the run of the consumers’ demands and provide products of high performance-to-price ratio will have an opportunity to be the final winners of competition and form a new structure of the future Chinese wine market.

(2)The Company’s development strategy

The Company will continue to adhere to the strategy of taking wine as pillar product while developing all kinds of products, actively expand the scope of consumption and marketing mode, revise the sales decreased trend of high-end wine; develop middle-level wines and brandy, strengthen the promotion of sparkling wine, make efforts to provide consumers with a rich variety of products in high cost performance.

(3) Management plan in a new year

In 2015, the Company will try its best to realize business income of not less than CNY4.4 billion and control the main operating costs and three period charges below CNY2.9 billion.

(4) The measures the Company will take

The Company will emphasize the following aspects in 2015, so as to better catch the opportunities and face with the challenges:

Firstly, to focus on the market, perform every marketing jobs effectively, strengthen marketing ability. The Company will further perfect the marketing system for chateau wine, enhance the marketing for chateau wine, the Company will cement the high ground position of brands in the domestic wine market. Increase the media publicity and marketing promotion efforts of medium-low level brands such as ‘jiebaina’, ‘zuishixian’ and ‘Nobel Wine’ as so on, improve the market share of medium-low level products. Accelerate the construction of brandy extension system, assure to put in place for ‘two teams’, ‘marketing plan’, ‘terminal

construction' in brandy's major channels, further expand brandy's market-coverage and brand awareness, promote the sales of brandy in the national market. Combine their own characteristics of distributors and delivery dealer, establish and improve the access institution of distributors and delivery dealer, the institution of communication, motivation and quit, continue to push the construction of Pioneer monopoly shops forward, strengthen the training, communication and assessment jobs of each level marketers, promote the overall quality of cadres, reinforce the marketing ability of sales system.

Secondly, to further strengthen the control for production cost and major operation expenses, further compress production cost. The Company will optimize pricing mechanism of grapes purchase price, in order that gradually make the wine-making grapes price convergence between domestic market and international market. Continue to adhere the centralized purchase for the main raw materials, control purchase cost of bulk raw material. Reinforce to monitor the production in the warehouse, reduce capital charges. Perfect productions' identification system, ensure the trouble-free operation in the palletization system applied to the processes of producing, transporting, and storage. Strengthen the management of fuel cost, transport cost, maintenance cost and landscaping cost, perfect wage system for every ton of wine, improve producing efficiency, reduce production cost.

Thirdly, to strengthen the construction and management for vineyards, continually increase the research & development ability and products quality. The Company will carry out the normalization construction and management for the vineyards in accordance with the criterion of scalization, standardization and mechanization, continue to practice the tracking and management of winemakers for the vineyards, build the vineyards at Xinjiang and Yantai for promotion and demonstration on mechanization management, greatly promote the machinery works. Continue to neaten contract vineyard and the training of grape's growers, strictly control the area of contract vineyards, constantly generalize advanced planting technology. Perfect project management, prediction management and assessment system of the vineyards, strengthen the assessment and management of the person in charge of special area, try to reduce the cost on planting grapes and improve the grape quality. The Company will perfect the classification standards for bulk wine, the quality tracking of bulk wine whole usage process and assessment mechanization, optimize winemaking technology, reinforce the applied research on oak barrels, further improve production quality, strengthen to develop new products, constantly enrich products variety. Further distinguish and clear the products characteristic of general wine in different varieties, form the products line with distinctive and unique style.

Fourthly, to steadily carry forwards investment projects construction, scientific arrange the progress of construction, guarantee the engineering quality. The Company will continuously promote the projects of Yantai Changyu International Wine City (namely Yantai Changyu Industrial Park) and the construction for pioneer monopoly shops, reinforce the management of construction budget to investment projects, strengthen projects' cost review and completion audit, strictly control the investment amount on projects, make sure to finish the construction for all projects and put them into operation on the basis of scheduled progress and quality.

(5) Risks likely to occur

A) Risks in price fluctuation of raw materials

Grapes are the Company's main raw materials. The grape's yield and quality are affected to a certain extent by the natural factors such as drought, wind, rain, frost and snow. These force

majeure factors greatly influence the quantity and price of the grapes in this Company orders and add the uncertainty to the Company’s production and operation. Therefore, the Company will lower the risks that are likely to affect grape quality and result in price fluctuation by means of expanding the self-run vineyards, strengthening the vineyard management and optimizing the layout of vineyards.

B) Risks in uncertainty of market input and output

To cope with the cutthroat market competition and to meet the needs for market development, the Company has input more and more capital in the market and the sales expense has taken up a higher percentage point in the business revenue. The input-output ratio will affect the Company’s operating results to a great extent and the risk that some investments may not reach the expectations is likely to occur. Therefore, the Company will strengthen market research and analysis, enhance market forecast accuracy and continue to perfect the input-output evaluation system to ensure the investments in market to be satisfactory as expected.

C) Risks in product transport

The Company’s products are fragile and sent to different places all over the world, mostly by sea, railway and expressway. The peak season of sales is usually in cold winter and close to the spring festival when market has a great demand. At that time, the natural and human factors such as serious shortage of transport capacity resulting from busy flow of people and goods, wind, snow, freezing as well as traffic accidents make the transport departments difficult to send products to markets in time and safely. As a result, it makes this Company have to face the risks of missing the peak season of sales. Therefore, the Company will adopt all methods possible like making precise sales prediction and well designed connection of production and sales, reasonably arranging production and transport means and making use of more available warehouses in different places to lower these kinds of risks.

D) Risks in investment faults

According to the plan, currently the Company has finished the production layout at home, and the next step is to pay more attention to the overseas merge and acquisition in the same industry. Currently, Yantai Changyu International Wine City (namely Yantai Changyu Industrial Park) has those features such as the big investment amount, long-term construction period and many uncertain factors; more unforeseeable factors for the overseas merge and acquisition projects in the progress of M&A, it is difficult to make sure the fair and reasonable transaction price, the integration and management after M&A is also hard. Under the influence of uncertain factors for individual projects, It leads to have the risks of facing with the investment amount out of budget or hardly taking back the expected investment earnings. The Company will take an adequate argument and scientific decision-making for investment projects, try hard to reduce and avoid investment risks.

**10 、 The Board of Directors’ and the Board of Supervisor give the explanation for ‘no standard auditing report’ issued by the accounting firm during this report period.**

☐Available    ☒Not available

**11、 Compared with the previous year’s financial report, explanation for the changes of accounting policy , accounting estimation and accounting method.**

☒Available    ☐Not available

During the report period, the Company changes the accounting policy about Long-term Equity Investment. About the detailed contents, please see “25. Changes in significant

accounting policy” in “3. Significant accounting policy and accounting estimate” of foot-notes to financial statements in this report.

**12. During the report period, the situation explanation for the correction of major accounting errors which need to be retrospect and restated.**

☐Available ☒Not available

There is no situation for the correction of major accounting errors which need to be retrospect and restated.

**13、 Compared with the previous year’s financial report, explanation for the changes of the consolidated statements scope.**

☐Available ☒Not available

There is no situation for the changes of the consolidated statement scope.

**14、 The Company’s profit and dividend distribution**

Promulgation, implementation or adjustment of profit distribution policies-during the report period.

☒ Available ☐Not available

According to the auditing result made by Ernst & Young Hua Ming Certified Public Accounts Co. Ltd., the net profit that the Company made in 2013 was CNY1,048.185927million. After deducting the minority shareholders’ profit and loss, the net profit belong to the Company’s shareholders is CNY 1,048.185927 million. After the deliberation of the Company’s Board of Directors and the Shareholders’ Meeting, the profit plan of 2013 is as following: Because the left amount of legal earned surplus reserve is less than 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company’s 685,464,000 shares at total up to December 31, 2013, we plan to pay CNY 5 in cash as dividends for every ten shares (including tax) to the Company’s all shareholders, totaling up to CNY342.732 million, accounting for 32.7% of the net profit CNY 1048.185927 million attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY 705.453927 million will be reserved for the distribution of next year. This plan is in line with the provisions of the Company’s Articles of Association. On July 5, 2014, the Company released the Implementation Announcement of 2013 Annual Equity Distribution, determining that the share registration day of A Stock was on July 10, 2014 and the ex-dividend day was on July 11, 2014, the last trading day of B Stock was on July 10, 2014, the share registration day was on July 15, 2014 and the ex-dividend day was on July 11, 2014. The Company also distributed equity before July 30, 2014 to the Company’s all A Stock holders registered after closing of Shenzhen Stock Exchange on the afternoon of July 10, 2014 at China Securities Depository and Clearing Corporation Limited Shenzhen Company and the Company’s all B Stock holders registered after closing of Shenzhen Stock Exchange on the afternoon of July 15, 2014 at China Securities Depository and Clearing Corporation Limited Shenzhen Company.

Special explanation	
Whether it is in accordance with the requirements of the regulation in the Articles of Association and the resolution of shareholders	Yes
Whether the distribution standard and proportion is clear and definite	Yes
Whether the relative decision process and mechanism is complete	Yes



Whether the independent directors perform their responsibilities and play the roles.	Yes
Whether the small and middle shareholders have the chance to express their advices and appeals, as well as their lawful right and interest is in an enough protection.	Yes
Whether it is legal and transparent for the condition and process while adjusting and amending the cash dividends distribution policy.	Yes

The Company’s preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve in the recent three years (including the report period).

The profit distribution plan of 2012 is as following: Because the left amount of legal earned surplus reserve is less than 50% of registered capital, while making profit distribution, the legal earned surplus reserve of CNY46.78937 million will be drawn firstly. Based on the Company’s 685.464 million shares at total up to December 31, 2012, we plan to pay CNY 11 in cash as dividends for every ten shares (including tax) to the Company’s all shareholders, totaling up to CNY 754.0104 million, take up 44.33% of net profits CNY1700.928117 million attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY 900.128347 million will be reserved for distribution in the next year.

The Company’s profit distribution plan in 2013 is as following: Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company’s 685,464,000 shares at total up to December 31, 2013, we plan to pay CNY 5 in cash as dividends for every ten shares (including tax) to the Company’s all stockholders, totaling up to CNY 342.732 million, accounting for 32.70% of the net profit CNY 1048.185927 million attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY 705.453927 million will be reserved for the distribution of next year.

The Company’s preliminary scheme of profit distribution in 2014 is as following: Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will be not drawn. Based on the Company’s 685.464 million shares at total up to December 31, 2014, we plan to pay CNY 4.4 in cash as dividends for every ten share (including tax) to the Company’s all shareholders, totaling up to CNY 301.60416 million accounted for 30.85% of net profits CNY977.707711 million attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY 676.103551 million will be reserved for distribution in the next year.

The Company’s cash dividend record in recent three years

Unit: CNY

Year of distribution	Amount of cash dividend (including tax)	Net profit belonging to the listed company’s stockholders in the consolidated statement of the distribution year	Proportion in the net profit belonging to the listed company’s stockholders in the consolidated statement
----------------------	---	--	---

			(%)
2014	301,604,160	977,707,711	30.85%
2013	342,732,000	1,048,185,927	32.70%
2012	754,010,400	1,700,928,117	44.33%

During the report period the Company earned profit, the undistributed profit of the parent company was positive but without proposing cash dividend distribution.

☐Available    ☒Not available

**15、The Company’s preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve**

☒Available    ☐Not available

Number of sending bonus shares per ten shares (share)	0									
Number of dividend payout per ten shares (CNY) (including tax)	4.40									
Number of transferring per ten shares(share)	0									
The cardinal number of the capital stocks for the preliminary distribution scheme (shares)	685,464,000									
Total cash dividend distribution （CNY）(including tax)	301,604,160									
Distributable profit (CNY)	977,707,711									
The proportion of cash dividend distribution in the total profit distribution	100%									
Cash dividend distribution policy										
Others										
Policy of cash dividend										
The stage of Company development belongs to growth period, while making profit distribution, Distribute dividends in cash takes up not less than 20% proportion in the distributable profit.										
Detailed explanation for the profit distribution or preliminary scheme of increasing equity with capital reserve										
According to the audit result from Deloitte Hua Yong, The net profit belonging to the parent company’s stockholders in the consolidated statement is CNY977.707711million, the net profit of the parent company in financial statement is CNY 1151.762045 million in 2014. According to PRC accounting standard, the situation for the attributable profit of consolidation and parent company in 2014 is as following:										
Unit: CNY										
	<table><tr><td></td><td>Consolidation</td><td>Parent company</td></tr><tr><td>Undistributable profit at the end the year</td><td>5,251,920,374</td><td>4,620,476,137</td></tr><tr><td>Including: net profit in 2014</td><td>977,707,711</td><td>1,151,762,045</td></tr></table>		Consolidation	Parent company	Undistributable profit at the end the year	5,251,920,374	4,620,476,137	Including: net profit in 2014	977,707,711	1,151,762,045
	Consolidation	Parent company								
Undistributable profit at the end the year	5,251,920,374	4,620,476,137								
Including: net profit in 2014	977,707,711	1,151,762,045								

Distributable profit carried over to the beginning of the year	4,616,944,663	3,811,446,092
Distribution for 2013 dividend	342,732,000	342,732,000
Withdrawing for the legal earned surplus reserve	0	0

According to regulation of 157<sup>th</sup> item in the Articles of Association, which is that the Company can distribute dividends either in cash or by stock, the profit to be distributed each year is not less than 25% of the distributable profit realized in the same year and the accumulated sum of profit to be distributed in cash in the next three years is not less than 30% of the yearly average distributable profit to be realized in the next three years, meanwhile, considering the large amount on the capital expenditure in 2015, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2014 as following:

Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will be not drawn. Based on the Company’s 685.464 million shares at total up to December 31, 2014, we plan to pay CNY 4.4 in cash as dividends for every ten share (including tax) to the Company’s all shareholders, totaling up to CNY 301.60416 million accounted for 30.85% of net profits CNY977.707711 million attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY 676.103551 million will be reserved for distribution in the next year. The cash dividend for the shareholders of B share listed overseas was paid in Hongkong dollar according to the middle rate between CNY and Hongkong dollar issued by the People’s Bank of China on the first working day after the resolution date of 2014 shareholders’ meeting.

16、Social Responsibility

☒ Available    ☐ Not available

During the report period, considering the fulfillment of the Company’s social responsibility, please see *2014 Annual Social Responsibility Report* disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) on 28th April 2015.

The listed company and its subsidiaries are whether or not to belong to the heavy pollution industry stipulated by the state environmental protection department.

Yes    No    ☒ Not available

The listed company and its subsidiaries are whether or not to exist major social security problems.

Yes    No    ☒ Not available

The Company is whether or not to be in an administrative penalty.

Yes    No    ☒ Not available

17、The Company’s Receptions, Studies and Visits

☒ Available    ☐ Not available

Reception Time	Reception place	Reception method	Reception object type	Reception object	Main context of communication and supplied material
2014.03.06	Meeting room of the Company	Field survey	Others	Huangwei from CITIC Securities	E-commerce advanced experience introduction and communication for consumer products' industry
2014.05.20	Meeting room of the Company	Field survey	Institution	Shuaihu from China International Fund management Co.Ltd Chenyu from AEGON-INDUSTRIAL Fund Management Co.Ltd Cao Liyan from BOCI Securities Limited	current business operation situation and other issues
2014.09.19	Meeting room of the Company	Field survey	Institution	Wang Jiandong from Sunshine Insurance Group Sunshine Asset Management Corporation Limited Jia tingting from Springs Capital (Beijing) Co.Ltd	current business operation situation
2014.11.25	Shanghai	other	Institution	Deng Xiaofeng from BOSERA FUNDS management limited Ai jing from BOCOM & Schroders fund management limited Li Yan from China Asset Management Co.,Ltd Qi Ying from China Pacific Insurance Company Ltd	current business operation situation and other issues
Number of Reception	4				
Number of institution	9				
Number of other object	1				
Whether disclose, reveal or betray no-public import information	No				

V、Major Issues

1、Material litigation and arbitration

☐ Available      ☒ Not Available

There are no material litigation and arbitration during the report period.

2、Media’s doubts

☐ Available      ☒ Not Available

There are no common doubts issued by Media during the report period.

3、Non-business capital occupying of listed company by controlling shareholder and its related parties

☐ Available      ☒ Not Available

There are no non-business capitals occupying of listed company by controlling shareholder and its related parties during the report period.

4、Bankruptcy reorganization

☐ Available      ☒ Not Available

There is no bankruptcy reorganization during the report period.

5、Transaction in assets

(1)、Acquisition of assets

☐ Available      ☒ Not Available

There is no acquisition of assets during the report period.

(2)、Sale of assets

☐ Available      ☒ Not Available

There is no sale of assets during the report period.

(3)、Combination of enterprises

☐ Available      ☒ Not Available

There is no combination of enterprises during the report period.

6、Implementation and its influence of Company’s share incentive

☐ Available      ☒ Not Available

There are no share incentive plan and its implementation situation during the report period.

7、Significant related transactions

(1)、Related transactions in relation to routine operations

☒ Available      ☐ Not Available

Related party	Interrelation ship	Type of related transaction	Content of related transaction	Pricing principle of related transaction	Price of related transaction	Amount of related transaction (CNY ‘0000)	Proportion in the same kind of transaction (%)	Settlement method of related transaction	Market price	Date of disclosure	Disclosure index
Yantai Shenma Packing Co., Ltd.	Under the same parent company	Related party’s commodity	Procurement of commodity	Agreement price	—	14,954	10.76%	Check	—		

		and labor transaction	and acceptance of labor from related party								
Total				--	--	14,954	--	--	--	--	--
Details of rejection of big sales				No							
Necessity and continuity as well as cause to transact with related party (but not with other dealer in the market)				The Company will sign a processing contract with and purchase packing materials from Yantai Shenma Packing Materials Co., Ltd. under Changyu Group, which is helpful for the Company, as a prerequisite of fair price, to acquire sustainable, quality and stable supply of packing materials and to save the Company's procurement and transport costs of packing materials so as to strengthen its product competitiveness.							
Influence of related transaction on listed company's independency				The Company's independency will not be affected by related transactions because the Company has lower requirements for production technology of packing materials and there are too many qualified producers ready for selection.							
The level of Company's dependency on related party as well as solutions				No							
If a prediction is made to the total amount of routine related transactions to occur during this period by type, what is the actual implementation result during the report period.				No							
Cause of bigger differences in between transaction price and market reference price				The transaction price is fixed in reference to market price, no obvious difference.							

(2)、Related transactions in relation to acquisition and sales of assets

☐ Available      ☒Not Available

There are no related transactions in relation to acquisition or sales of assets during the report period.

(3)、Related transactions in relation to common foreign investment

☐ Available      ☒ Not Available

There are no related transactions in relation to common foreign investment during the report period.

(4)、Related current credit and debt

☒ Available      ☐ Not Available

Whether or not to exist non-business related current credit and debt

☐ yes      ☒ no

There are no non-business related current credit and debt.

(5)、Other related transactions

☒ Available      ☐ Not Available

Detailed information about other related routine transactions among Company, Company's controlling shareholder Yantai Changyu Group Company Limited and its subsidiaries, please see Part 7 "Relation Among Related Parties and Their Transactions" in the financial statement of this report.



## 8. Major and important contracts and execution results

### (1)、Trusteeship, contract and leasehold issues

#### A) Trusteeship situation

☐ Available      ☒ Not Available

There is no trusteeship situation during the report period.

#### B) Contract situation

☒ Available      ☐ Not Available

##### Contract situation description

During the report period, about the Company's contract operation situation, please see "1. Subsidiary" in Annex 5 "The Consolidation Scope of Consolidated Financial Statements" in the financial report of this report.

Project in gains and losses for the Company to achieve more than 10% of the total profit

☐ Available      ☒ Not Available

There are no contract projects in gains and losses for the Company to achieve more than 10% of the total profit during the report period.

#### C) Leasehold situation

☒ Available      ☐ Not Available

##### Leasehold situation description

On 1<sup>st</sup> January 2012, the Company renewed the *Space Lease Agreement* with the controlling shareholder Changyu Group, the Company leased the space with 57749.77 square meters located at 174 Shihuiyao Road, Zhifu District, Yantai City and the space with 3038 square meters located at 56 Dama Road, Zhifu District, Yantai City, which are all under the name of controlling shareholder. The rent of the above spaces per year is CNY 5.858 million with a period of 5 years from 1<sup>st</sup> January 2012 to 31<sup>st</sup> December 2016.

Project in gains and losses for the Company to achieve more than 10% of the total profit

☐ Available      ☒ Not Available

There are no leasehold projects in gains and losses for the Company to achieve more than 10% of the total profit during the report period.

### (2)、Guarantee situation

☐ Available      ☒ Not Available

There is no guarantee situation during the report period.

### (3)、Other important contracts

☐ Available      ☒ Not Available

There are no other important contracts during the report period.

### (4)、Other important deals

☐ Available      ☒ Not Available

There are no other important deals during the report period.

## 9. Implementation of commitments

(1)、The commitments of the Company or its shareholders holding more than 5% in the report period or until the report period

√ Available      □ Not Available

Commitments	Commitment party	Commitment content	Commitment time	Commitment period	Implementation
Commitments at share reform	—	—	—	—	—
Commitments made in acquisition report or equity changes report	—	—	—	—	—
Commitments at asset restructuring	—	—	—	—	—
Commitments at the initial public offering or refinancing	Yantai Changyu Group Co. Ltd.	Non-horizontal competition	18 <sup>th</sup> May 1997	Forever	Has been performing strictly
	Yantai Changyu Group Co. Ltd.	According to <i>Trademark License Contract</i> , the Company will pay trademark royalty for the “Changyu” products of Yantai Changyu Group Co., Ltd every year, Yantai Changyu Group Co., Ltd will use trademark royalty to advertise “Changyu” trademarks and Contracted products in this contract.	18 <sup>th</sup> May 1997	Forever	Has been performing strictly
Commitments at middle and small shareholders of the Company	—	—	—	—	—
Commitment under timely	Yes				

implementation or not	
Whether or not to have specific reasons of the unimplemented commitment and next steps(if any)	No

(2)、The Company should make a statement on the achieved original profit forecast of assets or projects and its reason if there is profit forecast of Company's assets or projects and the report period is still in the profit forecast period.

☐ Available ☒ Not Available

## 10、The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	Deloitte Hua Yong Certified Public Accountants Co., Ltd. (special general partnership)
Reward for domestic accounting firm (CNY'0000)	190
Consecutive period for the audit services of domestic accounting Firm	2
Name of Certified public accountant for the audit services of domestic accounting Firm	Xu Zhaohui, Li Xu

Whether or not to dismiss the accounting firm during the report period

☐ Yes ☒ No

To employ internal control audit accounting firms, financial adviser or sponsor.

☒ Available ☐ Not Available

The Company will appoint Deloitte Hua Yong as certified public accountants of the Company's 2014 internal control, and continue appointing this company as certified public accountants of the Company's 2015 internal control.

## 11、Explanation of *Non-standard Audit Report* given by accounting firm in the report period from Board of Supervisors and independent directors (where applicable)

☐ Available ☒ Not Available

## 12 、Penalty and rectification

☐ Available ☒ Not Available

There are no penalty or rectification during the report period.

## 13、Face of suspension and termination of listing after the disclosure of annual report

☐ Available ☒ Not Available

## 14 、Other explanation of major issues

☐ Available ☒ Not Available

There are no other major issues need to be explained during the report period.

**15 、 Major issues of Company's subsidiary**

☐ Available    ☒ Not Available

**16 、 Corporation bonds issued by the Company**

☐ Available    ☒ Not Available

VI、Changes in Shares and the Shareholders’ Situation

1、Changes in shares

(1)、Changes in shares

	Amount before this change		Change (+, -)					Amount after this change	
	Amount	Percentage %	Allot new share	Distribute bonus share	Transfer other capital to share capital	others	Sub total	Amount	Percentage %
1、Unrestricted shares	685,464,000	100%						685,464,000	100%
(1)、A shares	453,460,800	66.15%						453,460,800	66.15%
(2)、B shares	232,003,200	33.85%						232,003,200	33.85%
2、Total shares	685,464,000	100%						685,464,000	100%

Cause of share change

☐ Available ☒ Not Available

Approval of share change

☐ Available ☒ Not Available

Transfer of changed shares

☐ Available ☒ Not Available

The influence of share change on the financial indicators such as basic earnings per share, diluted earnings per share of the latest year and the latest period, net asset per share belonging to the Company’s common shareholders, etc.

☐ Available ☒ Not Available

Other contents the Company thinks necessary or securities regulatory departments ask to make public.

☐ Available ☒ Not Available

(2)、Changes in restricted shares

☐ Available ☒ Not Available

**2、Securities issuance and listing situation**

(1)、Securities issuance in the recent three years at the end of report period

☐ Available ☒ Not Available

(2)、Explanation of change in Company’s total shares and shareholding structure and change in Company’s assets and liability structure

☐ Available ☒ Not Available

(3)、Current employee shares

☐ Available ☒ Not Available

**3、Situation for shareholders and the actual controllers**

(1)、The number of shareholders of the Company and the shareholdings

Unit: share

Total shareholders in the report period	43,151, including 28,531 A shareholders and 14,620 B shareholders	Total number of shareholders until the end of the 5th trading days before the disclosure day of the annual report	43,593, including 29,146 A shareholders, and 14,447 B Shareholders	Total number of preferred shareholder recovering voting power at the end of report period	0			
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held until the end of the report period	Changes during the report period	Number of restricted shares	Number of unrestricted shares	Pledged or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO. LTD.	Domestic non-state-owned legal person	50.4%	345,473,856	0	0	345,473,856		0
GAOLING FUND,L.P.	Foreign shareholder	3.53%	24,176,997	0	0	24,176,997		0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign shareholder	2.35%	16,106,326	0	0	16,106,326		0
GIC PRIVATE LIMITED	Foreign shareholder	1.45%	9,913,484	-9307489	0	9,913,484		0
NORGES BANK	Foreign shareholder	0.66%	4,511,246	2823258	0	4,511,246		
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	Foreign shareholder	0.62%	4,280,146	-1686735	0	4,280,146		0
FIDELITY FUNDS	Foreign shareholder	0.58%	3,997,933	3997933	0	3,997,933		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign shareholder	0.58%	3,950,987	-756079	0	3,950,987		
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign shareholder	0.55%	3,779,202	3779202	0	3,779,202		

AGRICULTURAL BANK OF CHINA-HUAXIA STEADY GROWTH MIXED SECURITIES INVESTMENT FUND	Domestic non-state-owned legal person	0.53%	3,624,745	2324745	0	3,624,745		
--	---------------------------------------	-------	-----------	---------	---	-----------	--	--

Strategic investors or legal result of the placement of new shares to become a top 10 shareholders(if have)(see note3)	NO		
The explanation for the associated relationship and accordant action	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
The top 10 shareholders with unrestricted shares			
Name of Shareholders	Number of unrestricted shares held until the end of the year	Type of share	
		Type of share	Amount
YANTAI CHANGYU GROUP CO. LTD.	345,473,856	A	345,473,856
GAOLING FUND,L.P.	24,176,997	B	24,176,997
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	16,106,326	B	16,106,326
GIC PRIVATE LIMITED	9,913,484	B	9,913,484
NORGES BANK	4,511,246	B	4,511,246
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	4,280,146	B	4,280,146
FIDELITY FUNDS	3,997,933	B	3,997,933
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,950,987	B	3,950,987
FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B	3,779,202
AGRICULTURAL BANK OF CHINA-HUAXIA STEADY GROWTH MIXED SECURITIES INVESTMENT FUND	3,624,745	A	3,624,745
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant		



action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.
Explanation for the top 10 shareholders who involved in financing activities and stock trading business	The top 10 shareholders do not involve in financing activities and stock trade business.

Whether or not the Company’s top 10 common shareholders and shareholders with unrestricted shares take agreed repurchase trading during the report period

☐ Yes    ☒ No

There is no agreed repurchase trading taken by the Company’s top 10 common shareholders and shareholders with unrestricted shares during the report period.

(2)、Situation for the controlling shareholders of the Company

Legal representative

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Registered capital	Main business
Yantai Changyu Group Co. Ltd.	Sun Liqiang	1997.04.27	26564582—4	CNY 50 million	Production and distribution of wine, healthy liquor, distilled liquor and non-alcohol beverages, planting of agricultural products and export business under the scope of permission.
Future development strategy	Continue centralizing superior resources, focusing on wine business, reasonably developing relevant supporting industries and industriously promoting harmonious development of various of industries				
Operating results, financial condition, cash flow and future development strategy etc.	Through the audit, at the end of 2014, total asset of controlling shareholder Yantai Changyu Group Co. Ltd. amounts to CNY 9.5 billion, net liability amounts to CNY 2.1 billion, net asset amounts to CNY 7.4 billion, 2014 operating income amounts to CNY 4.2 billion, net profit amounts to CNY 1.1 billion, net cash flows generated from operating activities amount to CNY1.2 billion.				

Equity situation for the other domestic listed companies controlled or shared by the controlling shareholders during the report period	No.
--	-----

Changes in the controlling shareholder during the report period

☐ Available      ☒ Not Available

There are no changes in the controlling shareholder during the report period.

(3)、Situation for the actual controllers of the Company

Legal representative

Name of actual controllers	Legal representative	Establishment date	Organization code	Registered capital	Main business
Yantai Yuhua Investment & Development Co. Ltd	Jiang Hua	2004.10.28	76779294—7	CNY 387.995 million	Under state permission, property investment, tenancy of machine and facility, wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electronical products, grape plantation.
ILLVA Saronno Investment Italy	Augusto Reina	1984.07.25	—	EUR 50,416,000	Directly or indirectly conduct the production and distribution of food products (alcoholic products included) as well as industrial, commercial, financial and service activities of any other kinds through joint-stock companies and organizations
International Finance Corporation	Cai Jinyong	1956.07.25	—	USD 2.36 billion	International Finance Corporation is one of the members of World Bank, mainly dedicated to investment in private sectors of developing countries while providing technical support and consultation service. The corporation

					is a multilateral financial institution that ranks first in the world in terms of providing capital stock and loans to developing countries. Its purpose is to promote sustainable investments of private sectors of developing countries in order to alleviate poverty and improve people’s life.
Yantai Guofeng Investment Holdings Co., Ltd	Chen Dianxin	2009.02.12	00426068-6	CNY 220million	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing service business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.(Projects need to be authorized in accordance with the law could carry out business activities only after the approval of relevant departments )
Future development strategy	No				
Operating results, financial condition and cash flow and so on	No				
Equity situation for the other domestic listed	No				

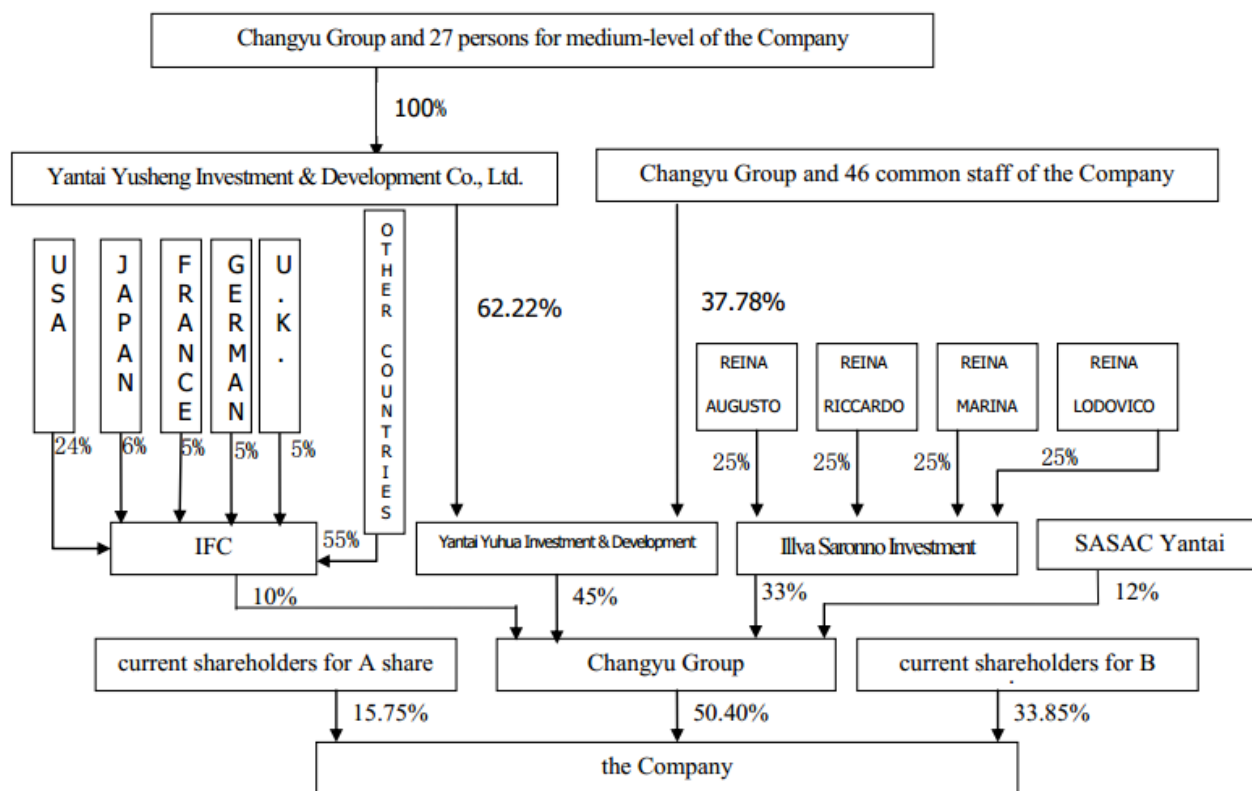
companies controlled by the actual controller during the report period	
--	--

Changes of the actual controllers during the report period

☒Available      ☐Not Available

Names of new actual controllers	ILLVA Saronno Investment Italy and Yantai Guofeng Investment Holdings Co., Ltd
Changing date	2014.04.30
Query indexes on the appointed website	<a href="http://www.cninfo.com.cn/finalpage/2014-05-06/63971775.PDF">http://www.cninfo.com.cn/finalpage/2014-05-06/63971775.PDF</a>
Disclosure date on the appointed website	2014.05.06

Introduction for property right and control relations between the Company and its actual controllers



Actual controller controls the Company through a trust or other asset management ways

☐ Available     ☒ Not Available

(4)、Other institutional shareholders holding more than 10% shares

☐ Available     ☒ Not Available

**4、Situation of plan to increase held shares proposed or implemented by the Company's shareholders and its persons acting in concert during the report period**

☐ Available     ☒ Not Available

Within the scope known by the Company, there are no Company's shareholders or its persons acting in concert proposing or implementing the plan to increase held shares during the report period.

## **VII、 Related situation of preferred shares**

☐ Available     ☒ Not Available

There are no preferred shares during the report period.

VIII、 Situation for Directors, Supervisors, Senior Management and Staffs

1、 Changes in shareholdings of directors, supervisors and senior management

Name	Post	Status	Gender	Age	Beginning date of the post	Ending date of the post	Shares held at the beginning of the period	Increased shares during the period	Decreased shares during the period	Shares held at the end of the period
Sun Liqiang	Chairman to the Board of Directors	present incumbent	M	67	2013.05.14.	2016.05.13	0	0	0	0
Zhou Hongjiang	Vice-chairman to the Board of Directors and general manager	present incumbent	M	50	2013.05.14.	2016.05.13	0	0	0	0
Leng Bin	Director and vice-general manager	present incumbent	M	52	2013.05.14.	2016.05.13	0	0	0	0
Qu Weimin	Director, Vice-general manager and Secretary to the Board of Directors	present incumbent	M	57	2013.05.14.	2016.05.13	0	0	0	0
Chen Jizong	Director	present incumbent	M	39	2013.05.14.	2016.05.13	0	0	0	0
Augusto Reina	Director	present incumbent	M	74	2013.05.14.	2016.05.13	0	0	0	0
Aldino Marzorati	Director	present incumbent	M	62	2013.05.14.	2016.05.13	0	0	0	0
Antonio Appignani	Director	present incumbent	M	76	2013.05.14.	2016.05.13	0	0	0	0

Jean Paul Pinard	Director	leave post	M	65	2013.05.14.	2014.05.23	0	0	0	0
Dai Hui	Director	present incumbent	F	49	2014.05.23	2016.05.13	0	0	0	0
Xiao Wei	Independent director	present incumbent	M	54	2013.05.14.	2016.05.13	0	0	0	0
Wang Zhuquan	Independent director	present incumbent	M	50	2014.05.23	2016.05.13	0	0	0	0
Wang Shigang	Independent director	Present incumbent	M	49	2013.05.14.	2016.05.13	0	0	0	0
Kong Qingkun	Chairman for the Board of Supervisors	present incumbent	M	42	2013.05.14.	2016.05.13				
Zhang Lanlan	Supervisor	present incumbent	F	45	2013.05.14.	2016.05.13				
Guo Ying	Supervisor	present incumbent	F	40	2013.05.14.	2016.05.13				
Yang Ming	Vice-general manager	present incumbent	M	56	—	—	0	0	0	0
Li Jiming	Chief engineer	present incumbent	M	48	—	—	0	0	0	0
Jiang Hua	Vice-general manager	present incumbent	M	51	—	—	0	0	0	0
Sun Jian	Vice-general manager	present incumbent	M	48	—	—	0	0	0	0
Jiang Jianxun	Finance manager	present incumbent	M	48	—	—	0	0	0	0
Total	—	—	—	—	—	—	0	0	0	0



## 2、Situation for work experience

The main work experiences of the Company's directors, supervisors and senior management in the recent 5 years.

### (1)、Members of Board of Directors

Mr. Sun Liqiang, a college graduate and senior economist, was the representative of 10<sup>th</sup> and 11<sup>th</sup> National People's Congress. Now he is the Party Secretary, Chairman and General Manager of Changyu Group. He began serving as chairman of the Company on September 18<sup>th</sup>, 1997 and has held the position ever since.

Mr. Zhou Hongjiang, a doctoral graduate and senior engineer, now is the vice chairman of Changyu Group, and the representative of 12<sup>th</sup> National People's Congress. He began serving as general manager of the Company on December 28<sup>th</sup>, 2001, Director, Vice Chairman and concurrently as General Manager of the Company on May 20<sup>th</sup>, 2002, he has held the position ever since.

Mr. Leng Bin, a postgraduate and senior accountant and now is the Director of Changyu Group. He began serving as a director of the Company on June 15<sup>th</sup>, 2000 and held the position ever since.

Mr. Qu Weimin, a bachelor of engineering and senior economist, has been serving as director, vice General Manager and concurrently as Secretary to the board of directors of the Company since September 18<sup>th</sup>, 1997.

Mr. Chen Jizong, a university graduate, the qualifications of statistician and accountant, now is the union director of property management department of SASAC Yantai and Director of Changyu Group. He has been director of the Company since May 13<sup>th</sup> 2010.

Mr. Augusto Reina is serving as chief executive officer of several companies including Illva Saronno Holding SpA and Illva Saronno Investment SRL, member of the board of directors of Barberini Spa, director of Federvini (Italian Alcohols Production and Export Association), director of Istituto Del Liquore (Wine Research Institute), director of Assovini (Sicily Viniculture and Wine Production Association) and director of Changyu Group. He has been director of the Company since April 27<sup>th</sup>, 2006.

Mr. Aldino Marzorati, a university graduate, is the General Manager of Illva Saronno Holding SpA and director of the board of directors of some branches under the group company and the director of Changyu Group. He has been director of the Company since April 27<sup>th</sup>, 2006.

Mr. Antonio Appignani, a university graduate, is vice chairman of Italian Business Consultation Committee, chief of Professional Ethics Committee, teacher of vocational training course of Industrial and Commercial Consultation Committee, member of Economic and Commercial Committee of the public university "G. D Annunzio" and concurrently serving as member of the board of directors of different companies and member of the board of directors of several companies under Illva Group and the director of Changyu Group. He has been director of the Company since April 27<sup>th</sup>, 2006.

Mr. Dai Hui, born in 1965, MBA, former project manager of Government Transfer Loan Department in China FOTIC (staying in Beijing), former manager assistant of High Net Worth Center in First Pacific Bank (staying in Hongkong), representative of Rabobank Beijing Office (staying in Beijing) and chief representative of Rabobank Beijing Office (staying in Beijing), is now consultant of IFC, director of Changyu Group Company and director of Listed Company.

Mr. Xiao Wei, a postgraduate and a lawyer, now is the partner of Jun He Law Office. He has been serving as independent director of the Company since September 1<sup>st</sup>, 2010.

Mr. Wang Zhuquan, doctor of management (accountancy), first batch of national accounting academic leading personals of Financial Department, top-notch personal in Qingdao, consultant expert of Enterprise Internal Control Standard Committee of Financial Department, Government Special Allowance expert, acted as independent director from 13<sup>th</sup> May 2010 to 12<sup>th</sup> May 2013. Now he is the vice-president of School of Management and the accounting department head in the Ocean University of China as well as independent director of some listed companies which could be exemplified as Qingdao TGOOD electric Co., Ltd. He acts as the independent director again from 23<sup>rd</sup> May 2014.

Mr. Wang Shigang, MBA and qualification of China Certified Public Accountant, now is the board chairman of Shandong Tianhengxin Construction Cost Consultation Co. Ltd., He previously served as independent director of the Company. He acts as the independent director again from 14<sup>th</sup> May 2013.

(2)、 Members of board of supervisors

Mr. Kong Qingkun, MBA and economist, used to be the section member of production department in the healthy liquor branch; the clerk and vice manager of general manager office, now he is the manager of general manager office.

Ms. Zhang Lanlan, a university graduate and economist, used to be vice-manager of import/export company, manager of import department; she is manager of board of directors office now.

Ms. Guo Ying, a university graduate and senior accountant, used to be the member of financial audit department of Yantai Yiqing Industry Company; senior staff of operating supervision department of SASAC Yantai, senior staff and vice director of directors & supervisor office; now she is vice director of directors & supervisor office of SASAC Yantai.

(3)、 Other senior managers

Mr. Yang Ming, a university graduate and applied researcher, has been serving as Vice General Manager of the Company since August 12<sup>th</sup>, 1998.

Mr. Li Jiming, a doctor and applied researcher, has been serving as Chief Engineer of the Company since September 14<sup>th</sup>, 2001.

Mr. Jiang Hua, a postgraduate and senior engineer has been serving as Vice General Manager of the Company since September 14<sup>th</sup>, 2001.

Mr. Sun Jian, an MBA and economist, has been serving as Vice General Manager of the Company since March 22<sup>nd</sup>, 2006.

Mr. Jiang Jianxun, an MBA and accredited accountant, has been serving as Financial Manager of the Company since May 20<sup>th</sup>, 2002.

Post in the shareholder’s company

☒ Available    ☐ Not Available

Name	Shareholder’s Company	Post	Beginning date of the post	Ending date of the post	Paid by shareholder’s company or not
Sun Liqiang	Yantai Changyu Group Co. Ltd.	Chairman and general manager	2013.10.08	2017.10.07	No
Zhou Hongjiang	Yantai Changyu Group Co. Ltd.	Vice chairman	2013.10.08	2017.10.07	No
Li Jiming	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Sun Jian	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Chen Jizong	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Augusto Reina	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Aldino Marzorati	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Antonio Appignani	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Dai Hui	Yantai Changyu Group Co. Ltd.	Director	2014.03.06	2017.10.07	No
Explanation for the post in the shareholder’s company	No.				

Post at other companies

☒ Available    ☐ Not Available

Name	Other’s Company	Post at other company	Beginning	Ending date of	Paid by other
------	-----------------	-----------------------	-----------	----------------	---------------

			date of the post	the post	company or not
Leng Bin	Yantai Changyu Zhongya Medicine & Healthy Liquor Co., Ltd	Director and legal representative	2012.09.10		No
Explanation for the post in the shareholder’s company	No.				

3、Salary of directors, supervisors and senior management

Decision-making process, the basis for determining, the actual payments of directors, supervisors and senior management  
The salary for the independent directors is paid according to the resolution of shareholders’ meeting. The salary for the chairman, directors with administration duty, supervisors, managers and other senior management should be paid on basis of the evaluation result according to the *Evaluation and Incentives Scheme for Senior Management of the Company* which was passed during the Board of Directors’ meeting.

Salary of directors, supervisors and senior management during the report period.

Unit: CNY’0000

Name	Post	Gender	Age	Status	Total reward from the company	Total reward from the shareholder’s company	Actual reward at the end of the report period
Sun Liqiang	Chairman to the Board of Directors	M	67	present incumbent	120.8		90
Zhou Hongjiang	Vice-chairman to the Board of Directors and general manager	M	50	present incumbent	117.9		87.8
Leng Bin	Director and vice-general manager	M	52	present incumbent	84.1		55.6
Qu Weimin	Director, Vice-general manager and Secretary to the	M	57	present	86.5		66.7

	Board of Directors			incumbent			
Chen Jizong	Director	M	39	present incumbent			
Augusto Reina	Director	M	74	present incumbent			
Aldino Marzorati	Director	M	62	present incumbent			
Antonio Appignani	Director	M	76	present incumbent			
Jean Paul Pinard	Director	M	65	leave post			
Dai Hui	Director	F	49	present incumbent			
Xiao Wei	Independent Director	M	54	present incumbent	5		5
Wang Zhuquan	Independent Director	M	50	present incumbent	5		5
Wang Shigang	Independent Director	M	49	present incumbent	5		5
Kong Qingkun	Chairman for the Board of supervisors	M	42	present incumbent	59.9		47.9
Zhang Lanlan	supervisor	F	45	present incumbent	18.5		17.3
Guo Ying	supervisor	F	40	present incumbent			
Yang Ming	Vice-general manager	M	56	present incumbent	75.3		56.6

Li Jiming	Chief Engineer	M	48	present incumbent	83.3		56.6
Jiang Hua	Vice-general manager	M	51	present incumbent	86		56.6
Sun Jian	Vice-general manager	M	48	present incumbent	79.6		56.6
Jiang Jianxun	Finance manager	M	48	present incumbent	61.5		38.8
Total	--	--	--	--	888.4		645.5

The awarded equity incentives for the directors, supervisors and senior management of the Company during the report period

☐Available    ☒Not Available

4、Changes in Company’s directors, supervisors, Senior Management

Name	Post	Type	Date	Reason
Jean Paul Pinard	Director	Leave post	2014.05.23	Application for resign from director
Dai Hui	Director	Be elected	2014.05.23	
Wang Zhuquan	Independent director	Be elected	2014.05.23	

5、Changes in core technical team or key technical personnel during the report period (non-directors, supervisors and senior management)

During the report period, there are no changes in core technical team or key technical personnel.

6、Staff of the Company

Up to December 31<sup>st</sup> 2014, the total registered staff number of the Company (including the Company’s headquarter and main controlling subsidiary companies) was 4868, consisting of :

Classification	Category	Number	Percentage of total staff
Specialty constitution	Production and service staff	1,445	29.68%
	Sales staff	2,286	46.97%
	Technical staff	157	3.22%
	Financial and administrative staff	980	20.13%
Education degree	Bachelor or above	1,329	27.3%
	College graduate	2,136	43.88%
	Vocational school	768	15.78%
	Senior high school diploma or below	635	13.04%

## IX、Corporate Governance

### 1. Current Corporate Governance Situation of the Company

The Company has, according to relevant national laws and rules including the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Guidelines on Corporate Governance of Listed Companies*, *Listing Guidelines at Shenzhen Stock Exchange* and also other laws and rules issued by CSRC and Shenzhen Stock Exchange, and combining the own actual situation, established *Articles of Associations* and other internal governance regulations, constantly improved its legal entity structure and internal management rules, legally conducted its activities and strengthened the information disclosure. The Company's governance structure is in accord with requirements of relevant regulatory documents on listing company's governance issued by CSRC.

#### (1)、About shareholders and shareholders' meeting

The Company has already set up the *Deliberation Rules of Shareholders' Meeting*, and convened the shareholders' meetings in strict accordance with requirements of standard opinion of shareholders' meeting, made the great effort to provide convenient conditions for more shareholders to participate the shareholders' meeting, and ensured all shareholders to enjoy same equity and well exercised their rights. The Company drew great attention to the communication and exchange with shareholders, actively responded the shareholders' inquiry and questions, and widely listened to the suggestions and comments from shareholders.

#### (2)、About the Company and holding shareholder

The Company has independent power on business and self-management, and also be independent of its holding shareholder on business, staff, assets, organization and finance. The Board of Directors, Board of Supervisors, management team and also internal organizations operated independently in the Company. The holding shareholder of the Company could regulate its activities, no other behavior was found that surpassed the shareholders' meeting to directly or indirectly interfere with the decision-making and business activities of the Company, or occupied any assets of the Company which damaged the Company's and medium & small shareholders' interests.

#### (3)、About the director and board of directors

The Company strictly appoints all directors in light of *Company Law* and *Articles of Associations*. The qualifications of all directors are in line with the requirements of laws and regulations. In accordance with the requirements of *Corporate Governance Guidelines*, the Company has already carried out the cumulative voting system. At present, the Company has three independent directors accounting for one fourth of all directors, and the number and composition of board of directors was basically in accord with requirements of regulations and also *Articles and Associations*. All directors of the Company could work in the light of regulations including *Rules of Board of Directors' Procedure* and *Working Rules for Independent Directors*, punctually attended board of directors' and shareholders' meetings, actively took part in relevant knowledge training, knew very well about the laws and regulations concerned, had a deep knowledge and long experience of practitioners, and



performed their duties according to the law and regulations. The Board of Directors convened the meetings in accordance with related rules and regulations.

(4)、About supervisor and board of supervisors

The Company strictly elected all supervisors in light of *Company Laws* and *Articles of Associations*. At present, board of supervisors has three people among which one supervisor is representative for staff, the number and composition of board of supervisor was in accord with requirements of regulations and rules. All supervisors of the Company could follow the requirement of *Rules of Board of Supervisors' Procedure*, insist the principle of responsibility to all shareholders, seriously perform their duties, effectively supervise and present their independent opinion on important issues, interrelated deals, financial status, the duty performance of directors and managers of the Company.

(5)、About performance evaluation and incentive system

The engagement of managers was open and transparent, and accorded with laws and regulations. The Company has established and gradually improved the performance evaluation standard and formed efficient incentive system, so as to ensure the salary of staff to be linked with job performance.

(6)、About the party with relevant benefit

The Company could fully respect and safeguard the legal rights of the party with relevant benefit, cooperate actively with the stakeholders, jointly drive the Company to develop continually and stably, pay great attention to the issues such as local environmental protection and public utilities etc., and assume full responsibilities for the social responsibility.

(7)、About the information disclosure and transparency

The Company has appointed the secretary to Board of Directors to be responsible for investor relation management including information disclosure, investor relations management and reception of shareholders' visit and consultation. The Company has also assigned *China Securities Newspaper*, *Securities Times*, *Honkong Commercial Daily* and web site <http://www.cninfo.com.cn/> to disclose information, punctually, accurately and truly disclosed any information in the light of requirement of relevant laws and rules, and also ensured all shareholders to have same opportunity to acquire any information.

In order to further perfect the Company's governance system, during the report period, the Company formulates *Opinion about Strengthening Sales Human Resource Management*, *Opinion about Financial Management of Sales Secondary Enterprise*, *Opinion about Strengthening the Products' Internal Cost*, *2014 Annual Assessment Management Methods for Bulk Wine Consumption in the Bulk Wine Warehouse, in the Oak Aging Warehouse and in the Bottle Wine Warehouse*, *2014 Annual Assessment Methods for Liquor Yield of Bulk Wine Fermentation*, *Reasonable Suggestion for Methods of Project Approval, Implementation, Examination and Assessment* and *Management Methods for Acquisition of Oversea Enterprises*. In addition, the Company also modify and perfect some management systems, such as *Assessment Methods for Innovation Projects of More Than Middle-level Managers* and *Examination and Assessment Methods for Innovation Work of Every Secondary Enterprise* and so on .

Whether the Company's corporate governance is not in compliance with the *Company Law* and the relevant provisions of China Securities Regulatory Commission

☐ Yes ☒ No

The Company's corporate governance is in compliance with the *Company Law* and the relevant provisions of China Securities Regulatory Commission.

Progress of the Company's special activities in terms of corporate governance as well as formulation and implementation of inside information source registration and management rules

In order to strengthen management of inside information source and prevent occurrence of backstage deals, the Company's 5th session of Board of Directors' 10<sup>th</sup> meeting deliberated and passed the *Inside Information Source Registration and Management Rule* on April 18, 2012. The founding of the system standardized the approval process of inside information reporting, defined the scope of inside information source, and set up a prevention and punishment mechanism of inside information. During the report period, the Company has strictly managed staffs who contact with inside information Source against material inside information of the sensitive disclosure etc such as reporting *information insiders' registration*, and informing timely to supervisory department. During the report period, there were no in the Company the information insiders' transactions of the Company's shares by taking advantage of the sensitive inside information that affects the Company's share price before it was disclosed and no supervisory departments' punishment records, either.

## 2、Information for the shareholders' meeting and temporary shareholders' meeting held during the report period

### (1)、Information for the shareholders' meeting during the report period

Session	Date	Proposals name	Resolution	Disclosure date	Disclosure Index
2013 Annual Shareholders' Meeting	23 <sup>rd</sup> May 2014	2013 Annual Board of Directors' Working Report, 2013 Annual Board of Supervisors Working Report, 2013Annual Report, 2013 Annual Profit Distribution Scheme, Proposal on the Appointment of Directors, Proposal on the Appointment of Independent Directors,	All deliberated and passed	24 <sup>th</sup> May 2014	<a href="http://www.cninfo.com.cn/final page/2014-05-24/64059965.PDF">http://www.cninfo.com.cn/final page/2014-05-24/64059965.PDF</a>

		Proposal on Renewal of Accounting Firm			
--	--	--	--	--	--

(2)、Information for the temporary shareholders' meeting during the report period

There is no temporary shareholders' meeting during the report period.

(3)、Request for convening temporary shareholders' meeting by priority shareholders owing recovered voting right

☐ Available ☒ Not Available

### 3、Performance of independent directors during the report period

(1)、Attendance of independent directors for the board of directors and the shareholders' meeting

Attendance of independent directors for the board of directors						
Name	Required attendance time	Personal attendance	Communication attendance	Authorized attendance	Absence	Whether or not to attend the meetings personally for successive twice
Wang Zhuquan	2	1	1	0	0	No.
Xiao Wei	4	3	1	0	0	No.
Wang Shigang	4	3	1	0	0	No.
Attendance time of independent directors for the shareholders' meeting		1				

Explanation for not personally attending the Board of Directors' meetings for successive twice.

There are no independent directors absent of personally attending the Board of Directors' meetings for successive twice.

(2)、Any objections for the Company's projects from the independent directors  
Whether or not the independent directors raised any objections for the Company's projects.

☐Yes ☒No.

During the report period, the independent directors did not raise any objections for the Company's projects.

(3)、Other explanations on independent directors' performance

The independent directors' propositions are accepted by the Company or not

☒ Yes ☐ No

Explanation on acceptance or refusal of the independent directors' propositions

Regarding the investment project involved in the industrial tourism, the independent director raised a suggestion 'Taking full advantage of existing production and management facilities and avoiding overlapping investment' and the Company adopted this suggestion.

#### **4、Performance of the special committees under the Board of Directors during the report period**

(1)、Summary report of the Board of Directors' Audit Committee

(A) On March 18<sup>th</sup>, 2014, after the certified public accountants responsible for annual audits had introduced their preliminary opinions, the independent directors on behalf of the Audit Committee communicated with them and made written comments which read that "we communicated in detail with the certified public accountants responsible for auditing of the Company's *2013 Annual Report* who expounded the main standards, main emphasis audited field, the problems and the matters necessary to adjust that were found during the auditing. We've noticed that the Company has adjusted the matters as the accountants suggested. On the basis of our communication with the accountants, the production and operation results that the Company's management reported to us as well as the progress of important events, we believe that we have no objection to the Company's *2013 Annual Financial Statement* preliminarily examined by Deloitte Hua Yong Certified Public Accounts Co., Ltd. and the preliminary audit opinions of that Services."

(B) On 23<sup>rd</sup> April 2014, the Board of Directors' Audit Committee deliberated and passed *2013 Annual Auditing Report* issued by Deloitte Hua Yong Certified Public Accounts Co., Ltd., *Proposal on 2013 Annual Profit Distribution*, *Proposal on*

*Appointment for Certified Public Accountants Firm, 2013 Annual Self Assessment Report on the Company's Internal Control and 2014 Annual Internal Audit Plan.*

All of committee members unanimously agree to submit the above proposals to the Company's 6<sup>th</sup> Session Board of Directors' 4<sup>th</sup> Meeting for deliberation.

The meeting reached the following consensus:

- ① The clean-opinion auditing report on the *Company's 2013 Annual Financial Statement* issued by Deloitte Hua Yong Certified Public Accounts Co., Ltd reflects the Company's financial condition, operating results and cash flow truly, objectively and correctly.
- ② The profit distribution scheme that the Company formulated is relatively acceptable, taking the shareholders' interest into account while paying attention to the Company's long-term development.
- ③ Considering the strict maintenance of objective and fair standpoint as well as the high audit quality and reasonable arrangement for audit progress during the process of the Company's 2013 annual financial audit and internal control audit taken by Deloitte Hua Yong Certified Public Accounts Co., Ltd, it is proposed that the Company will reappoint Deloitte Hua Yong Certified Public Accounts Co., Ltd as the 2014 annual auditor of the Company. The employment period is one year and the audit will be taken from two aspects shown as follows.

On one hand, Deloitte will take the audit of 2014 annual financial report and issue a Financial Audit Report. On the other hand, Deloitte will take the audit of 2014 annual internal control audit and issue an Internal Control Audit Report.

The annual auditing fee for the above parts are CNY 1.9million, including travel expense and all service charges.

- ④ The Company's *2013 Annual Self Assessment Report on the Company's Internal Control* has truly and objectively mirrored out the present standing of the Company's internal control and can basically ensure the effective implementation of its policies and realization of its strategic goals.
- ⑤ The Company's *2014 Annual Internal Audit Plan* is comparatively perfect and practicable, based on which the Company's Audit Department will conduct the 2014 annual internal audit.

(C) On 25<sup>th</sup> August 2014, the Board of Directors' Audit Committee deliberated and passed *2014 Semiannual Report* and *2014 Semiannual Profit Distribution*. The meeting reached the following consensus:

① The Company's *2014 Semiannual Financial Statements* reflected the Company's financial condition, operating results and cash flow truly, objectively and correctly.

② As the Company just realized *2013 Annual Profit Distribution Scheme* in middle July, we propose neither to distribute profits for the first half of 2014 nor to increase the Company's capital stock with accumulated public fund. The net profit made in the first half of this year will be reserved and distributed at the end of the year. Our Auditing Committee considers the suggestion to be reasonable.

③ All of Committee members unanimously agree to submit the above proposals to the Company's 6<sup>th</sup> Session Board of Directors' 6<sup>th</sup> Meeting for deliberation.

## (2)、Summary report of the Board of Directors' Emolument Committee

The Board of Directors' Emolument Committee is responsible for assessment of the economic responsibilities of the directors and the senior managers who receive salaries from the Company and examination of the salary policy and scheme designed for the Company's directors and senior managers.

*Propose on Company's 2013 Annual Senior Executive's Performance Assessment Results and Performance Assessment Methods for Company's Senior Executive from 2014 to 2017* were deliberated and passed by the Board of Directors' Emolument Committee on 23<sup>th</sup> April 2014, who thought that these two documents were in compliance with assessment methods stipulated in the *Incentive Scheme for the Company's Senior Executive* approved by the Company's 4<sup>th</sup> Session Board of Directors' 20<sup>th</sup> Meeting. All committee members unanimously agree to submit the above proposals to the Company's 6<sup>th</sup> Session Board of Directors' 4<sup>th</sup> Meeting for deliberation.

During the report period, the Board of Directors' Emolument Committee also examined the 2013 annual payroll records of the directors and the senior managers who receive salaries from the Company. The committee believes that the Company's directors, supervisors and senior managers got paid completely in line with the processes of the Company's economic responsibility assessment system and the salaries the Company made public were in conformity with the actually paid amount.

## 5、The work of the Board of Supervisors

During the report period, whether the board of supervisors found any existence of risk for the Company during their oversight activities.

☐ Yes      ☒ No

During the report period, the board of supervisors has no objection during their oversight activities.

## **6、Relative to the controlling shareholder, independence and completeness of the Company on business, personnel, assets, organization and finance**

(1)、Personnel Arrangement: the Company's general manager, vice general managers and other senior officers, all of whom were paid by the Company did not hold any post in the controlling parties. The Company was entirely independent in personnel arrangement, conclusion and adjustment of labor contracts thanks to its sound and independent system for labor, personal and salary management.

(2)、Assets: Tangible assets and Intangible assets including trademark, industrial property right and non-patent technologies were all clearly divided between the Company and the controlling shareholder, and all legal formalities were completed. The Company being a legal independent entity consistently conducted business activities legally and provided no guarantee in any form with its assets for its shareholders or individuals' liabilities or any other legal persons or natural persons. The Company has already transferred free the trademarks to the Company including “黄金冰谷”, “爱斐堡”, “爱菲堡”, “爱斐” and “AFIP” etc trademarks. However, due to some issues from the past, the Company permitted to use “Changyu” etc the intangible assets such as part of trademark ownership and patent still held by the controlling shareholders.

(3)、Finance: The Company has independent finance department, chief account and financial staff, and also complete, independent and standardized accounting system. The Company has also established its own bank accounts, duly and legally paying taxes, workers insurance fund. All financial individuals do not hold any concurrent posts in associated companies and are able to make financial decisions independently. The Company has its own audit department, which is especially responsible for the internal audit work of the Company.

(4)、Offices: The Company has set up a sound organizational framework, in which the Board of Directors and Board of Supervisors operate independently, no superior and subordinate relationship exists between the functional departments of the controlling shareholder. The Company has its own independent production & business offices, all functional departments are independent to exercise their powers and carry out the production and business activities independently.

(5)、Operations: the operations of the Company are independent of the controlling shareholder, the Company owns itself completely independent systems covering research and development, accounting, workforce and labor, quality control, raw materials purchase, production and sales, and is possessed of self-run capabilities, and has neither relationship with the controlling shareholder in terms of supply and sales by proxy nor competition with the other.

## **7、Situation for Horizontal Competition**

☐Available    ☒Not Available

## **8、Performance Evaluation and Incentive to Senior Management**

The Company has already established a sound system for evaluation of achievement of senior management and the related incentive system which linked the reward with the Company's benefit and personal achievement. The Emolument Committee under Board of Directors assumed the responsibility of stipulating the policy and appraising the scheme for salaries and rewards. Based on the Company's annual production and business goals, this committee examined senior personals and also their responsible subsidiaries or departments according to their management achievement and index, and took these as a criteria of awards or penalties. During the report period, because of not finishing the annual business plan deliberated and passed in the Board of Directors' meeting at the beginning of the year, the total salaries and rewards of the senior management will be 6.6 % less than last year.



## X、Internal Control

### 1、Internal control construction

During the report period and as the requirement of *General Criteria of Company's Internal Control* and its corresponding guidelines jointly issued by the Ministry of Finance and other four ministries, the Company confirms its strategic development target and internal control target. Based on the internal and external surroundings, through the comprehensive and systemic risk assessment in combination with characteristics of wine industry, the Company keeps perfecting and deepening internal control construction. The Company mainly formulates and perfects the rules and regulations about marketing, overseas acquisition as well as grape base construction and management. The Company also takes many measures to ensure the implementation of every internal control system.

Based on the relevant law and regulations, such as *Corporation Law*, *Securities Law* and *Rules Governing the Listing of Stocks on Shenzhen Stock Exchange*, the Company has already built an intact and effective internal control system covering the company and each critical business circulation, which is in accordance with the requirements of *General Criteria of Company's Internal Control* and its corresponding guidelines. The built system provides essential theoretical foundation and institutional guarantee for the legal compliance of operating management, safety of assets, authenticity and integrity of Financial Report and relevant information as well as the accomplishment of strategic target.

### 2、The Board of Directors' statement on the internal control responsibilities

It is the responsibility of the Board of Directors to establish, perfect and effectively execute the internal control, evaluate its efficiency and disclose truthfully the assessment report on internal control as requested by Company's internal control standard system. The board of supervisors should supervise the establishment and implementation of board of directors on the internal control. Managers should take in charge of organizing and leading the daily operation of Company's internal control. The board of directors, the board of supervisors, directors, supervisors & senior management of the Company collectively and individually accepted full responsibility for the truthfulness, accuracy and completeness of the information contained in the report and confirm that to the best of their knowledge and belief there are no

unfaithful facts, significant omissions or misleading statements. The target of the Company's internal control is to reasonably guarantee the lawfulness and compliance on operation management, the safety of assets, the truthfulness and completeness of financial report and its related information, so as to improve business efficiency and result and promote the realization of development strategy. Due to the inherent limitations, internal control only can provide the reasonable guarantee for realizing the above mentioned targets. Besides, owing to the changed situation which could probably cause the irrelevancy of internal control or reduce the compliance for the control policy and formality, there is a certain risk to calculate the efficiency of the future internal control according to the assessment result of internal control.

### 3、Basis of establishing internal control for financial report

Basis of establishing internal control for financial report is in accordance with the rules of *General Criteria of Company's Internal Control* with its corresponding guidelines and *Internal Control Guideline of Listed Company on Shenzhen Stock Exchange*.

### 4、Self-assessment report on internal control

The specific circumstances for the significant defects of the internal control found during the report period in the internal control self assessment report.	
During the report period, the significant defects of internal control haven't been found.	
Disclosure date for the full text of the internal control self assessment report	28 <sup>th</sup> April 2015
Disclosure index for the full text of the internal control self assessment report	www.cninfo.com.cn

### 5、Internal control audit report or authentication report

Internal control audit report issued by Deloitte Hua Yong certified public accountants Co., Ltd.

Audit opinions of the internal control audit report	
We believe that Yantai Changyu Pioneer Wine Co., Ltd. is in accordance with the rules of <i>General Criteria of Company's Internal Control</i> and other related rules, all significant aspects keep effective internal control in the financial report.	
Disclosure date for the full text of the internal control audit report	28 <sup>th</sup> April 2015

Disclosure index for the full text of the internal control audit report	Document name: <i>2014 Annual Internal Control Report on Self Assessment</i> . Website address: <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
---	--

Whether or not the certified public accountants issued a non-standard advice for the audit report of internal control.

☐ Yes    ☒ No.

Whether the audit report of internal control issued by the certified public accountants is in consistency with the self-assessment report of the board of directors.

☒ Yes    ☐ No.

## **6、The establishment and implementation of responsibility ascertainment rules for the significant errors in the annual report**

*Accountability System for Significant Errors in the Annual Report* of the Company has already been deliberated and passed by the 5<sup>th</sup> session of Board of Directors' 4<sup>th</sup> meeting on 7<sup>th</sup> April, 2011 and also been in strict performance. During the report period, there are no big errors in *2013 Annual Report* and *2014 Semi-annual Report* issued and disclosed by the Company.

## XI、 Financial Report

### 1、 Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	25 <sup>th</sup> April, 2015
Audit agency name	Deloitte Hua Yong certified public accountants co., Ltd. (special general partnership)
Certified public accountant's name	Xu Zhaohui      Li Xu

De Shi Bao (Shen) Zi (15) No. P1560

#### AUDITOR'S REPORT

#### TO THE SHAREHOLDERS OF YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

We have audited the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited and its subsidiaries which comprise the consolidated and company's balance sheets as at 31 December 2014, and the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

#### *1. Management' responsibility for the financial statements*

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

#### *2. Auditor's responsibility*

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF  
YANTAI CHANGYU PIONEER WINE COMPANY LIMITED - continued

*3. Opinion*

In our opinion, the financial statements of Yantai Changyu Pioneer Wine Company Limited present fairly, in all material respects, the consolidated and company's financial position as of 31 December 2014, and the consolidated and company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu  
Certified Public Accountants LLP  
Shanghai, China

Chinese Certified Public Accountant  
Xu Zhao Hui (Signature and seal)  
Li Xu (Signature and seal)  
25 April 2015

CONSOLIDATED BALANCE SHEETS  
YEAR ENDED 31 DECEMBER 2014

<u>ASSETS</u>	<u>Notes</u>	<u>2014</u> RMB	<u>2013</u> RMB
<b>CURRENT ASSETS</b>			
Cash and bank balances	VI-1	1,145,365,071	1,367,818,182
Notes receivable	VI-2	138,315,319	79,702,753
Accounts receivable	VI-3	145,672,411	177,109,516
Prepayments	VI-4	8,073,786	45,997,863
Interest receivable	VI-5	3,619,429	8,417,995
Other receivables	VI-6	31,362,302	99,331,794
Inventories	VI-7	2,087,376,398	2,121,117,437
Other current assets		29,662,076	-
Total current assets		3,589,446,792	3,899,495,540
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets	VI-8	-	-
Fixed assets	VI-9	2,532,682,355	1,917,641,344
Construction in progress	VI-10	1,700,466,500	1,423,654,530
Materials for construction of fixed assets		-	676,539
Bearer biological assets	VI-11	151,723,241	101,794,515
Intangible assets	VI-12	452,951,194	296,129,754
Goodwill	VI-13	13,112,525	13,112,525
Long-term prepaid expenses	VI-14	201,911,605	165,521,803
Deferred tax assets	VI-15	254,186,823	158,533,090
Other non-current assets	VI-16	15,751,605	21,370,902
Total non-current assets		5,322,785,848	4,098,435,002
Total assets		8,912,232,640	7,997,930,542

CONSOLIDATED BALANCE SHEETS  
YEAR ENDED 31 DECEMBER 2014 - continued

LIABILITIES AND EQUITY	Notes	2014 RMB	2013 RMB
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	VI-17	300,000,000	243,170,674
Notes payable	VI-18	10,000,000	5,765,694
Accounts payable	VI-19	357,811,822	258,116,331
Receipts in advance	VI-20	215,127,598	188,651,254
Employee benefits payable	VI-21	158,948,592	130,720,235
Taxes payable	VI-22	87,504,048	194,413,430
Interest payable		3,475,641	2,152,059
Deferred income	VI-23	12,398,718	12,915,801
Other payables	VI-24	469,804,317	497,301,630
Total current liabilities		1,615,070,736	1,533,207,108
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	VI-25	209,380,000	-
Deferred income	VI-23	76,024,992	83,611,041
Deferred tax liabilities	VI-15	4,565,636	5,336,115
Other non-current liabilities	VI-26	3,998,352	4,755,794
Total non-current liabilities		293,968,980	93,702,950
Total liabilities		1,909,039,716	1,626,910,058
<b>EQUITY</b>			
Share capital	VI-27	685,464,000	685,464,000
Capital reserve	VI-28	563,139,042	563,139,042
Other comprehensive income	VI-29	(2,803,271)	-
Surplus reserve	VI-30	342,732,000	342,732,000
Retained earnings	VI-31	5,251,920,374	4,616,944,663
Equity attributable to shareholders of the Company		6,840,452,145	6,208,279,705
Non-controlling interests		162,740,779	162,740,779
Total equity		7,003,192,924	6,371,020,484
Total liabilities and equity		8,912,232,640	7,997,930,542

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 3 to 95 were signed by the following:

Legal Representative: \_\_\_\_\_

Person in Charge of the Accounting Body: \_\_\_\_\_

Chief Accountant: \_\_\_\_\_



**BALANCE SHEET OF THE COMPANY**  
**YEAR ENDED 31 DECEMBER 2014**

<u>ASSETS</u>	<u>Notes</u>	<u>2014</u> RMB	<u>2013</u> RMB
<b>CURRENT ASSETS</b>			
Cash and bank	XIV-1	496,138,263	602,444,243
Notes receivable	XIV-2	98,158,251	32,594,381
Accounts receivable	XIV-3	1,516,518	1,600,968
Prepayments	XIV-4	1,710,787	24,824,672
Interest receivable	XIV-5	3,580,811	8,417,995
Dividend receivable	XIV-6	402,596,884	752,595,884
Other receivables	XIV-7	4,708,836,276	3,709,583,949
Inventories	XIV-8	681,696,774	781,284,189
Other current assets		14,996,807	-
Total current assets		6,409,231,371	5,913,346,281
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets	VI-8	-	-
Long-term equity investments	XIV-9	1,093,437,027	1,048,208,923
Fixed assets	XIV-10	403,210,655	425,294,116
Construction in progress	XIV-11	182,765	269,802
Bearer biological assets	XIV-12	83,631,722	60,851,409
Intangible assets	XIV-13	76,760,678	79,139,831
Deferred tax assets	XIV-14	27,053,571	22,956,747
Total non-current assets		1,684,276,418	1,636,720,828
Total assets		8,093,507,789	7,550,067,109

**BALANCE SHEET OF THE COMPANY**  
**YEAR ENDED 31 DECEMBER 2014 - continued**

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>2014</u> RMB	<u>2013</u> RMB
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	VI-17	300,000,000	243,170,674
Accounts payable	XIV-15	228,052,722	166,453,563
Employee benefits payable	XIV-16	70,233,251	66,416,387
Taxes payable	XIV-17	18,205,124	37,578,670
Interest payable		3,475,641	2,152,059
Deferred income		3,017,898	2,559,227
Other payables	XIV-18	1,030,604,819	1,612,596,521
Total current liabilities		<u>1,653,589,455</u>	<u>2,130,927,101</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	VI-25	209,380,000	-
Deferred income		22,747,915	20,095,300
Other non-current liabilities		1,895,828	2,180,162
Total non-current liabilities		<u>234,023,743</u>	<u>22,275,462</u>
Total liability		<u>1,887,613,198</u>	<u>2,153,202,563</u>
<b>EQUITY</b>			
Share capital	VI-27	685,464,000	685,464,000
Capital reserve	XIV -19	557,222,454	557,222,454
Surplus reserve	VI-30	342,732,000	342,732,000
Retained earnings		4,620,476,137	3,811,446,092
Total equity		<u>6,205,894,591</u>	<u>5,396,864,546</u>
Total liabilities and equity		<u>8,093,507,789</u>	<u>7,550,067,109</u>

CONSOLIDATED INCOME STATEMENT  
YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB	2013 RMB
I. Revenue	VI-32	4,156,727,525	4,320,948,572
Less: Cost of sales	VI-32	1,372,444,612	1,357,897,999
Taxes and surcharges	VI-33	269,446,774	236,394,164
Selling expenses	VI-34	1,006,009,364	1,140,836,150
Administrative expenses	VI-35	256,980,018	245,498,950
Impairment loss of assets	VI-36	1,995,877	2,149,438
Financial expenses	VI-37	(17,256,721)	(18,700,357)
II. Operating profit		1,267,107,601	1,356,872,228
Add: Non-operating income	VI-38	43,996,405	42,108,726
Including: gains from disposal of non-current assets			121,113
		271,989	
Less: Non-operating expenses	VI-39	8,370,249	1,874,223
Including: losses from disposal of non-current assets			5,207,658
		678,016	
III. Profit before tax		1,302,733,757	1,397,106,731
Less: Income tax	VI-40	325,026,046	348,920,804
IV. Profit for the year and attributable to shareholders of the Company		977,707,711	1,048,185,927
V. Other comprehensive income (post-tax)			
Other comprehensive income to be reclassified to profit and loss			
Foreign currency statement translation difference		(2,803,271)	-
Other comprehensive income (post-tax)		(2,803,271)	-
VI. Total comprehensive income attributable to owners of the Company		974,904,440	1,048,185,927
VII. Earnings per share			
(I) Basic earnings per share	VI-41	1.43	1.53
(II) Diluted earnings per share	VI-41	N/A	N/A

INCOME STATEMENT OF THE COMPANY  
YEAR ENDED 31 DECEMBER 2014

	<u>Notes</u>	<u>2014</u> RMB	<u>2013</u> RMB
I. Revenue	XIV -20	1,647,825,652	1,730,694,774
Less: Cost of sales	XIV -20	1,406,987,744	1,473,772,762
Taxes and surcharges	XIV -21	157,026,901	135,046,585
Administrative expenses	XIV -22	112,051,545	109,664,952
Impairment loss/(reverse) of assets	XIV -23	(192,908)	4,392,429
Financial expenses	XIV -24	(11,053,553)	(25,948,141)
Investment income	XIV -25	1,164,089,666	1,126,019,415
II. Operating Profit		1,147,095,589	1,159,785,602
Add: Non-operating income		6,371,028	4,266,595
Including: gains from disposal			
of non-current assets			105,236
1,374			
Less: Non-operating expenses		5,801,396	1,019,467
Including: losses from disposal			
of non-current assets			5,181,727
663,565			
III. Profit before tax		1,147,665,221	1,163,032,730
Less: Income tax		(4,096,824)	8,345,452
IV. Profit for the year			
and total comprehensive income		1,151,762,045	1,154,687,278

# CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2014

	<u>Notes</u>	<u>2014</u> RMB	<u>2013</u> RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from the sale of goods and the rendering of services		4,787,289,147	4,766,532,032
Receipts of tax refunds		18,259,690	22,163,624
Other cash receipts relating to operating activities	VI-42(1)	24,543,547	47,960,711
Sub-total of cash inflows from operating activities		4,830,092,384	4,836,656,367
Cash payments for goods purchased and services received		(1,255,567,298)	(1,293,320,336)
Cash payments to and on behalf of employees		(358,415,330)	(379,880,613)
Payment of various types of taxes		(1,301,077,872)	(1,368,825,802)
Other cash payments relating to operating activities	VI-42(2)	(844,948,588)	(1,059,555,309)
Sub-total of cash outflows from operating activities		(3,760,009,088)	(4,101,582,060)
Net cash flows from operating activities	VI-43(1)	1,070,083,296	735,074,307
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in term deposits over 3 months		307,694,951	1,292,524,719
Proceeds from return on investments		24,230,453	33,050,471
Proceeds from disposal of fixed assets		1,181,895	1,026,411
Sub-total of cash inflows from investing activities		333,107,299	1,326,601,601
Cash paid for acquisition of properties, plants and equipment, intangible assets and other long-term assets		(1,238,293,585)	(962,180,456)
Cash paid for term deposits over 3 months		(77,547,483)	(907,392,728)
Other cash paid for the purchase of non-controlling interest		-	(16,883,864)
Sub-total of cash outflows from investing activities		(1,315,841,068)	(1,886,457,048)
Net cash flows from investing activities		(982,733,769)	(559,855,447)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received from Non-controlling interest		-	16,359,770
Cash receipts from borrowings		515,368,080	243,170,674
Other cash received from financing activities		129,182,292	-
Sub-total of cash inflows from financing activities		644,550,372	259,530,444
Cash paid for dividends, profits and interests		(353,707,371)	(764,539,398)
Cash paid for borrowings		(242,219,439)	
Cash paid from other financing activities	VI-42(3)	(125,000,000)	(275,945,000)
Sub-total of cash outflows from financing activities		(720,926,810)	(1,040,484,398)
Net cash flows from financing activities		(76,376,438)	(780,953,954)
Effect of foreign exchange rate changes on cash and cash Equivalents		(7,059,747)	-
NET INCREASE OF CASH AND CASH EQUIVALENTS		3,913,342	(605,735,094)
ADD: CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	VI-43(2)	956,558,932	1,562,294,026
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	VI-43(2)	960,472,274	956,558,932

# CASH FLOW STATEMENT OF THE COMPANY

## YEAR ENDED 31 DECEMBER 2014

	<u>Notes</u>	<u>2014</u> RMB	<u>2013</u> RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from the sale of goods and the rendering of services		1,827,219,301	1,993,219,656
Other cash receipts relating to operating activities		12,168,205	9,194,891
Sub-total of cash inflows from operating activities		1,839,387,506	2,002,414,547
Cash payments for goods purchased and services received		(1,302,377,275)	(1,385,474,499)
Cash payments to and on behalf of employees		(151,732,255)	(162,425,829)
Cash payment of various types of taxes		(257,237,660)	(206,446,458)
Other cash payment relating to operating activities		(1,594,026,341)	(1,459,407,016)
Sub-total of cash outflows from operating activities		(3,305,373,531)	(3,213,753,802)
Net cash flows from operating activities	XIV-26	(1,465,986,025)	(1,211,339,255)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash receipts from deposits over 3 months		295,694,951	1,292,524,719
Cash receipts from return on investments		1,530,610,338	1,395,495,286
Cash receipts from disposals of fixed assets		550,824	4,000
Sub-total of cash inflows from investing activities		1,826,856,113	2,688,024,005
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		(52,003,088)	(131,396,826)
Cash payments for term deposits over 3 months		(53,547,483)	(907,392,728)
Cash payments for subsidiary investment		(37,980,500)	(29,988,530)
Sub-total of cash outflows from investing activities		(143,531,071)	(1,068,778,084)
Net cash flows from investing activities		1,683,325,042	1,619,245,921
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash receipts from borrowings		515,368,080	243,170,674
Other cash received from financing activities		129,182,292	-
Cash inflows from financing activities		644,550,372	243,170,674
Cash paid for dividends, profits and interests		(351,636,158)	(754,010,400)
Cash paid for borrowings		(242,219,439)	-
Cash paid from other financing activities		(125,000,000)	(125,000,000)
Cash outflows from financing activities		(718,855,597)	(879,010,400)
Net cash flows from financing activities		(74,305,225)	(635,839,726)
Effect of foreign exchange rate changes on cash and cash Equivalents		(6,939,315)	(635,839,726)
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		136,094,477	(227,933,060)
ADD: CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	XIV-27	197,150,989	425,084,049
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	XIV-27	333,245,466	197,150,989

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2014

	2014						Total RMB
	Attributable to shareholders of the Company					Non-controlling interests RMB	
	Issued capital RMB	Capital surplus RMB	Other comprehensive income RMB	Surplus reserve RMB	Retained earnings RMB		
I. Opening balance of the current year	685,464,000	563,139,042	-	342,732,000	4,616,944,663	162,740,779	6,371,020,484
II. Changes for the year							
(I) Total comprehensive income	-	-	(2,803,271)	-	977,707,711	-	974,904,440
(II) Profit distribution							
Distributions to shareholders (VI-31)	-	-	-	-	(342,732,000)	-	(342,732,000)
III. Closing balance of the current year	685,464,000	563,139,042	(2,803,271)	342,732,000	5,251,920,374	162,740,779	7,003,192,924
	2013						Total RMB
	Attributable to shareholders of the Company					Non-controlling interests RMB	
	Issued capital RMB	Capital surplus RMB	Other comprehensive income RMB	Surplus reserve RMB	Retained earnings RMB		
I. Opening balance of the current year	685,464,000	562,139,042	-	342,732,000	4,322,769,136	146,381,009	6,059,485,187
II. Changes for the year							
(I) Total comprehensive income	-	-	-	-	1,048,185,927	-	1,048,185,927
(II) Shareholders' injection							
Injection of non-controlling interest	-	-	-	-	-	16,359,770	16,359,770
(III) Profit distribution							
Distributions to shareholders (VI-31)	-	-	-	-	(754,010,400)	-	(754,010,400)
(IV) Others (Notes VI-28)	-	1,000,000	-	-	-	-	1,000,000
III. Closing balance of the current year	685,464,000	563,139,042	-	342,732,000	4,616,944,663	162,740,779	6,371,020,484

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY  
YEAR ENDED 31 DECEMBER 2014

	2014				
	<u>Issued capital</u> RMB	<u>Capital reserve</u> RMB	<u>Surplus reserve</u> RMB	<u>Retained earnings</u> RMB	<u>Total</u> RMB
I. Opening balance of the current year	685,464,000	557,222,454	342,732,000	3,811,446,092	5,396,864,546
II. Changes for the year					
(I) Total comprehensive income	-	-	-	1,151,762,045	1,151,762,045
(II) Profit distribution					
Distributions to shareholders (VI-31)	-	-	-	(342,732,000)	(342,732,000)
III. Closing balance of the current year	685,464,000	557,222,454	342,732,000	4,620,476,137	6,205,894,591

	2013				
	<u>Issued capital</u> RMB	<u>Capital reserve</u> RMB	<u>Surplus reserve</u> RMB	<u>Retained earnings</u> RMB	<u>Total</u> RMB
I. Opening balance of the current year	685,464,000	557,222,454	342,732,000	3,410,769,214	4,996,187,668
II. Changes for the year					
(I) Total comprehensive income	-	-	-	1,154,687,278	1,154,687,278
(II) Profit distribution					
Distributions to shareholders (VI-31)	-	-	-	(754,010,400)	(754,010,400)
III. Closing balance of the current year	685,464,000	557,222,454	342,732,000	3,811,446,092	5,396,864,546



---

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

---

**I. CORPORATE INFORMATION**

Yantai Changyu Pioneer Wine Co., Ltd. (the "Company") was incorporated as a joint stock limited company in accordance with the Company Law of the People's Republic of China (the "PRC") in a reorganization carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group Company"), in which Changyu Group Company injected certain assets and liabilities in relation to the brandy, wine, and sparkling wine production and sales businesses to the Company. The Company and its subsidiaries (the "Group") are principally engaged in the production and sales of wine, brandy, sparkling wine. Registration place of the Company is Yantai, Shandong. Headquarter of the Company is located at No. 56 Da Ma Lu, Zhifu District, Yantai, Shandong, PRC.

As at 31 December 2014, the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Notes VI-27 in detail.

The holding company of the Group is Changyu Group Company, which is jointly controlled by Yantai SASAC, ILLVA Saronno Investment Italy, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

The financial statements have been authorized by the board of directors on 25 April 2015. According to the Company's articles of association, the financial statements will be reviewed by shareholders on the shareholder's meeting.

For consolidation scope of the year, please refer to Notes VIII "Equity in other entities" in detail. For detail of changes in consolidation scope of the year, please refer to Notes VII "Change in consolidation scope".

**II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS****1. Basis of preparation**

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF") (also including the 2014 new issued and revised accounting standards). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2014).

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

### 2. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. The Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the historical cost measurement, an asset is measured at the fair value of consideration paid in cash and cash equivalents at the date of the purchase. Liability is measured at the value of asset received through taking current obligation, the contract value for taking current obligation, or the cash and cash equivalents value estimated for repaying debt in daily business activity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 2) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

### 3. Going concern

As at 31 December 2014, the Group evaluated the profitability ability in the foreseeable 12 months and did not notice any event or circumstance that would constitute significant doubt on going concern ability of the Group. Therefore, the financial statements have been prepared on a going concern basis.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

#### 1. Declaration for implementing CAS

The financial statements are prepared in accordance with CAS, which showing a true and fair view of the financial position on 31 December 2014, financial performance and cash flow in 2014 of the Company and the Group.

#### 2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

#### 3. Business cycle

Business cycle refers to the period from purchasing assets to be processed to receiving cash or cash equivalents by the Company. The business cycle of the Company is 12 months.

#### 4. Reporting currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses Currency Euro as its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

#### 5. Business combination

##### 5.1 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

Qualified identifiable assets, liabilities and contingent liabilities obtained by acquirer in the acquisition are measured using fair value at the acquisition date.

The cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 6. Preparation of consolidated financial statements

##### 6.1 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The Group will reevaluate if changes in relevant facts and circumstances results in changes in relevant factors involved in the above definition of control.

Consolidation of subsidiary starts from the control on the subsidiary by the Group and ends at the loss of control on the subsidiary by the Group.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated income statement below the net profit line item.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

#### 7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 8. Translation of transactions and financial statements denominated in foreign currencies

##### 8.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items denominated in foreign currencies and changes in the carrying amounts of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

##### 8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies of other comprehensive income under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 9. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

##### 9.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

##### 9.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets of the Group are loans and receivables and available-for-sale financial assets.

##### 9.2.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank, notes receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

##### 9.2.2 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 9. Financial instruments - continued

##### 9.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
  - Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 9. Financial instruments - continued

##### 9.3 Impairment of financial assets - continued

##### - Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

##### - Impairment of available for sale assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.



### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 9. Financial instruments - continued

##### 9.4 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

##### 9.5 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in group are other financial liabilities, including short-term borrowings, notes payables, account payables, interest payables, other payables and long-term borrowings etc.

##### 9.5.1 Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

##### 9.6 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 9. Financial instruments - continued

##### 9.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

##### 9.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group does not recognise any changes in the fair value of equity instruments. The equity instruments transaction expenses deducted from equity.

The Group treats distribution to equity instrument holders as profit distributions. Shareholder equity is not affected by share dividend distributed.

#### 10. Account Receivables

##### 10.1 Receivables that are individually significant and for which bad debt provision is individually assessed

A receivable that exceeds RMB 3,000,000 is deemed as an individually significant receivable by the Group.

For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

##### 10.2 Receivables that are not individually significant but for which bad debt provision is individually assessed

For receivables that are not individually significant but for which bad debt provision is individually assessed, when objective evidence suggests that the Group cannot collect receivables in accordance with original clauses, the Group would recognize impairment loss and provide bad debts according to the difference between carrying amount and present value of future cash flows.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 11. Inventories

##### 11.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress and finished goods. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

##### 11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

Agricultural products harvested are reported in accordance with the CAS 1 Inventories.

##### 11.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

##### 11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

##### 11.5 Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 12. Long term equity investments

##### 12.1 Basis for determining control, joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

##### 12.2 Determination of initial investment cost

For a long-term equity investment acquired not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition.

Audit fee, legal services, consulting fees and other related management costs in acquisition are expensed in profits and losses when happened.

Other long-term equity investments acquired from other than acquisitions are recognised using original cost.

##### 12.3 Subsequent measurement and recognition of profit or loss

###### 12.3.1 Long-term equity investment accounted for using the cost method

The Group accounts for long-term equity investment using the cost method. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Long-term equity investment is adjusted when capital is added or recollected. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

##### 12.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 13. Fixed assets

##### 13.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

##### 13.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

	<u>Estimated useful life</u>	<u>Estimated residual rate</u>	<u>Annual depreciation rate</u>
Buildings	20-40years	0-5%	2.4%-5.0%
Machinery	10-20years	0-5%	4.8%-10.0%
Motor Vehicles	4-12years	0-5%	7.9%-25.0%

Estimated net residual value assumes the situation where a fixed asset expire for its estimated useful life and is in its expected final status. Estimated net residual value is the amount that the Group can obtain from the disposal less expected disposal fees.

##### 13.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

#### 14. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 16. Biological assets

The biological assets of the Group are bearer biological assets.

##### 16.1 Bearer biological assets

Bearer biological assets are biological assets, for example, held for the production of agricultural produce, provision of services or rental. Bearer biological assets in the Group are vines. A bearer biological asset is initially measured at cost. The cost of a bearer biological asset self-grown or self-bred comprises those costs necessarily incurred and directly attributable to the asset before the asset becomes available for its intended production and operating purposes, and any borrowing cost meeting the capitalisation criteria.

The Group charge depreciation for productive biological assets which satisfy expected production, and record the depreciation in balance sheet and income statement. The Group uses straight line method to calculate the depreciation, and details as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual rate</u>	<u>Annual depreciation rate</u>
Vines	20 years	-	5%

The Group evaluates the useful life and expected net salvage value by considering the normal producing life of the bearer biological assets.

The Group reviews the useful life and estimated net residual value of bearer biological assets and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

On the sale, identification of any shortages during stocktaking, death or damage of biological asset, the proceeds on disposal net of the carrying amount and relevant taxes is recognised in profit or loss for the current period.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 17. Intangible assets

##### 17.1 Intangible assets

Intangible assets include land use rights, software, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised. The useful lives of the intangible assets are as follows:

<u>Item</u>	<u>Useful life</u>	<u>Net residual value</u>	<u>Annual amortization rate</u>
Land use rights	40-50 years	-	2-2.5%
Software	5-10 years	-	10-20%

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

#### 18. Impairment of long-term assets

The Group and the Company review the impairment status of long-term equity investments, fixed assets, construction in progress, bearer biological asset and intangible assets with finite useful life at the end of each year. If the assets exist impairment, the Group estimates the recoverable amount of the assets. An intangible asset with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If recoverable amount of assets is less than book value, the difference is recognised as impairment provision and expensed in current period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group (s), i.e., goodwill is reasonably allocated to the related assets group (s) or each of assets group (s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

The impairment is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 19. Long term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

Long term prepaid expenses of the Group are amortized over the following period:

	<u>Amortization period</u>
Land requisition fee	50 years
Land lease prepayment	50 years
Greening fee	5 years
Leasehold improvement	3-5years
Others	3 years

#### 20. Employee benefits

##### 20.1 Short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the actual employee benefits for that service as a liability. The employee benefits of the Group are either included in cost of related assets or charged to profit or loss in the period when they are incurred. Non-monetary employee benefits are measured at fair value.

Social insurances such as medical insurance, injury insurance and pregnancy insurance, housing funds, labor union and employee education fees paid by the Group for employees, are recognised as relevant liability in the period in which the employees provide service, in accordance with the regulated recognition basis and percentage. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

##### 20.2 Accounting treatments of retired benefits

Retired benefits of the Group are all predetermined provision plan.

In the period in which the employees provide service, the Group recognise liability in accordance with the amounts to be paid calculated according to the predetermined provision plan, and the related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

##### 20.3 Accounting treatments of termination benefits

When providing termination benefits to employees, the Group recognise employee benefits payroll resulting from termination benefits at the earlier of: the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; the Group recognise relevant costs and expenses related to the payment of termination benefits in reconstructing.



### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 21. Revenue

##### 21.1 Revenue from sale of goods

Revenue from sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The amount of revenue can be measured reliably and it is probable that the associated economic benefits will flow to the Group. The associated costs incurred or to be incurred can be measured reliably.

##### 21.2 Revenue from rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

#### 22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. The income is accounted for as either a government grant related to an asset or a government grant related to income based on its nature.

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. Monetary government grants are measured by the amount received or receivable.

##### 22.1 Government grant related to an asset

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

##### 22.2 Government grant related to income

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 23. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

##### 23.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

##### 23.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 23. Deferred tax assets/ deferred tax liabilities - continued

##### 23.2 Deferred tax assets and deferred tax liabilities - continued

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

##### 23.3 Net off of income taxes

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

#### 24. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### 24.1 Operating leases

##### 24.1.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

#### 25. Other significant accounting policies, accounting estimates and preparation of financial statements

From 1 July 2014, the Group has adopted a series of new accounting standards issued by The Ministry of Finance, including Accounting Standard for Business Enterprises No.39-Fair value measurement, Accounting Standard for Business Enterprises No.40-Joint Arrangements, Accounting Standard for Business Enterprises No.41-Disclosure of interests in other entities, Accounting Standard for Business Enterprises No.2-Long-term equity investment, Accounting Standard for Business Enterprises No.9-Employee benefit, Accounting Standard for Business Enterprises No.30- Presentation of financial statement, Accounting Standard for Business Enterprises No.33-Consolidated Financial Statements Accounting Standard for Business Enterprises No.37-Financial instrument disclosures. These changes in accounting policies were approved in the No.8 meeting by the No.6 board of directors of the Company.

##### Long-term equity investment

Before adopting Accounting Standard for Business Enterprises No.2-Long-term equity investment (Revised), the Group treated as long-term investment for investment with neither control nor significant influence to investee, no quoted market price in an active market and whose fair value cannot be reliably measured at cost.

After adopting Accounting Standard for Business Enterprises No.2-Long-term equity investment (Revised), the Group treated as available-for-sale financial assets for the investment with neither control nor significant influence to investee, no quoted market price in an active market and whose fair value cannot be reliably. The Group undertakes retrospective adjustments for the changes in accounting policy, resulting the change from long-term equity investment to as available-for-sale financial assets for investment with neither control nor significant influence to investee, no quoted market price in an active market and whose fair value cannot be reliably. As full bad debts provision has been made for the asset on 31 December 2013, the amount in balance sheet is not affected.

##### Employee benefit

Before adopting Accounting Standard for Business Enterprises No.9-Employee benefit (Revised), for retired benefits, when the Group terminates employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

After adopting Accounting Standard for Business Enterprises No.9-Employee benefit (Revised), please see Notes III 20(3)-Accounting treatments for retired benefits for its accounting policies. Management of the Group believes that adopting the accounting standard does not have a material impact on the financial statements.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

25. Other significant accounting policies, accounting estimates and preparation of financial statements  
- continued

#### Joint Arrangements

Accounting Standard for Business Enterprises No.40-Joint Arrangement classifies joint arrangements as joint operations and joint ventures. An entity determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Management of the Group believes that adopting the accounting standard does not have a material impact on the financial statements.

#### Consolidated Financial Statements

Accounting Standard for Business Enterprises No.33-Consolidated Financial Statements (Revised) has revised the definition of control, the "control" is defined as "investor owns the power to investee, earns changeable return through participating relevant activities of the investee, has the power to affect the changeable return through utilizing the power to the investee and makes explicit accounting rules about the special transaction. Management of the Group believes that adopting the accounting standard does not have a material impact on the financial statements.

#### Financial instrument disclosures

Accounting Standard for Business Enterprises No.37-Financial instrument disclosures (Revised) adds rules relating to offset and disclosure requirements, adds disclosure requirements about financial asset transfer and modifies disclosure requirements about the maturity of financial assets and liabilities. This financial statement has been prepared in accordance with the standard, and with comparable annual financial statements disclosure adjusted accordingly.

#### Presentation of financial statement

Accounting Standard for Business Enterprises No.30- Presentation of financial statement (Revised) separates other comprehensive income into following two categories: (1) Other comprehensive income items which will not be reclassified subsequently to profit or loss; (2) Other comprehensive income items which will be reclassified subsequently to profit or loss when specific conditions are met. This financial statement has been prepared in accordance with the standard, and with comparable annual financial statements disclosure adjusted accordingly.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

25. Other significant accounting policies, accounting estimates and preparation of financial statements - continued

#### Fair value measurement

Accounting Standard for Business Enterprises No.39-Fair value measurement regulates measurement and disclosure of fair value. Adopting the standard does not have a significant impact on measurement of financial statement items, but will lead to more extensive disclosures on fair value by the Group. This financial statement has been prepared in accordance with the standard.

#### Disclosure of interests in other entities

Accounting Standard for Business Enterprises No.41-Disclosure of interests in other entities applies to the disclosure of an enterprise's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Adopting the standard will lead to more extensive disclosures on financial statements by the Group. This financial statement has been prepared in accordance with the standard, and with comparable annual financial statements disclosure adjusted accordingly.

### IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of accounting policies as set out in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group periodically review the judgments, estimates and assumptions above on a going concern basis. For those changes in accounting policies that only affect current financial statements, the influences are recognized in current period. For those changes in accounting policies that affect both current and future financial statements, the influences are recognized in both current and prospective periods.

#### **Significant accounting judgments and accounting estimates**

The following are key assumptions for after balance sheet date event and other factors of uncertain estimation. They may cause material adjustment on balance sheet in following accounting period.

#### Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### IV. **CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued**

##### **Significant accounting judgments and accounting estimates - continued**

###### Depreciation

As set out in Note III-13, the depreciation is calculated on the straight line basis to write-off the cost of each item of fixed assets to its residual value over its estimated useful life. The Group's management determines the estimated useful lives for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. If the previous estimates have significant changes, and depreciation expenses will be adjusted in the future periods.

###### Useful life of intangible assets

The estimated useful lives of the intangible assets are determined based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as considering the contractual rights and statutory rights applicable to the intangible assets.

When the estimated useful lives of finite intangible assets are shortened or extended, the amortization periods should be adjusted accordingly. When there is evidence indicating the useful lives of intangible assets with indefinite useful lives becomes finite, the useful lives should be estimated and the intangible assets should be accounted for in accordance with the standards for the intangible assets with finite useful lives.

###### Impairment of non-current assets

The Group assesses whether the recoverable amount is lower than the book value. If there are any indicators that the book value of non-current assets cannot be fully recoverable, impairment losses should be recorded.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from an asset. As it is difficult for the Group to obtain the quoted market price of the assets (or assets group), the fair value of the assets cannot be reliably estimated. When the management make estimation on the expected future cash flows from the asset or cash generating unit, estimates should be made on choosing a suitable production volume, selling price and related operating costs discount rate in order to calculate the present value of those cash flows. When recoverable amounts are undertaken, management may use all available for use information, including the forecast on production volume, selling price and related operating costs in reasonable and supportable assumptions.

###### Estimated provision for accounts receivable

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy are considered indicators that the trade receivable is impaired. The provision is reassessed at the end of each year.

#### IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued

##### Significant accounting judgments and accounting estimates - continued

##### Inventory provision based on net realizable value

The inventory are measured on the lower of carrying value and net realizable value, and provision should be made for impairment on obsolete and slow moving inventories. The group will reassess whether the net realizable value is lower than the carrying cost at the end of each year.

#### V. TAXES

##### 1. The main taxes and tax rate are as follows:

Value added tax	VAT is levied at 17% on the invoiced amount after deduction of eligible input VAT.
Consumption tax	The consumption tax of the group is levied on gross revenue at rates ranging from 10% to 20%.
Business tax	The Group is subject to a business tax of 5% on its taxable revenue.
City development tax	Levied at 7% of total business tax payment.
Corporate income tax	The Group is subject to a corporate income tax rate of 25% or 33% on its taxable income.

Other than tax incentives stated in Notes-V (2), applicable tax rates of the Group in 2014 and 2013 are all stated as above.

##### 2. Tax incentives and relative permit

Ningxia Changyu Grape Growing Co., Ltd. ("Ningxia Growing"), a subsidiary of the Group, whose principal activity is grape growing is incorporated in Ningxia Huizu Autonomous Region. According to clause 27 of PRC Corporate Income Tax and clause 86 of PRC Corporate Income Tax Measures for Implementation, Ningxia Changyu Grape Growing Co., Ltd. enjoys an exemption of corporate income tax.

A subsidiary of the Company, Xinjiang Tianzhu Co., Ltd ("Xinjiang Tianzhu") which is a wine production enterprise incorporated in Xinjiang Weizu Autonomous. In accordance with (Caishui [2011] No.60) and (Xinzhengfa [2010] No.105), which is from 2012 to 2016, the company enjoys a favorable corporate income tax rate of 15% besides the exemption of corporate income tax which belongs to local government. The corporate income tax applicable for current year is 9%.

A subsidiary of the Company, Xinjiang Babao Baron Chateau Co., Ltd. ("Shihezi Chateau") which is a wine production enterprise incorporated in Xinjiang Weizu Autonomous. In accordance with (Caishui [2011] No.60) and (Xinzhengfa [2010] No.105), which is from 2011 to 2015, the company enjoys a favorable corporate income tax rate of 15% besides the exemption of corporate income tax which belongs to local government. The corporate income tax applicable for current year is 9%.



**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Cash and bank**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash	101,660	772,817
Bank balance	1,010,259,393	1,235,788,080
Other currency fund	135,004,018	131,257,285
Total	<u>1,145,365,071</u>	<u>1,367,818,182</u>

As at 31 December 2014, the balance of restricted cash of the Group is RMB 2,643,519 (31 December 2013: RMB 2,609,237), which is the Group's housing fund.

As at 31 December 2014, the Group's other monetary assets include security of RMB125,000,000 (31 December 2013: RMB125,000,000)s pledged for a short-term borrowing from HSBC of HKD152,000,000 (translated as RMB119,912,800), refundable deposit for notes payable of Shi He Zi Chateau of RMB10,000,000 (31 December 2013: RMB 5,965,996) and company cards deposit guarantee of RMB4,018 (31 December 2013: RMB 291,289).

As at 31 December 2014, the Group's overseas cash and bank deposit is RMB 43,746,008 (31 December 2013: RMB 13,104,666).

As at 31 December 2014, The Group's term deposits with original maturity of more than three months when acquired is RMB 47,245,260 (31 December 2013: RMB 277,392,728) with interest rates ranging from 3.25%-4.13%, which will mature from 3 months to 1 year.

**2. Notes receivable****(1) Categories of notes receivable**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	<u>138,315,319</u>	<u>79,702,753</u>

**(2) Notes receivable which have been pledged as security at the end of the period:**

As of 31 December 2014, there was no pledged notes receivable (31 December 2013: Nil).

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 2. Notes receivable - continued

## (3) Notes endorsed by the Group to other parties which are not yet due at the end of the period

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	47,805,224	19,167,830

As at 31 December 2014, notes endorsed by the Group to other parties which are not yet due at the end of the period is RMB47,805,224 (31 December 2013: RMB19,167,830). The notes are used for payment to suppliers. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, and almost all the risks and rewards on ownership of the notes receivable have been transferred to the supplier, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

## (4) Notes receivable reclassified to accounts receivable due to the drawers' inability to settle the note on maturity

No notes receivable were reclassified as accounts receivable due to the default of drawer (31 December 2013: Nil).

## 3. Accounts receivable

## (1) Disclosure of accounts receivable by categories:

	<u>Closing balance</u>					<u>Opening balance</u>				
	<u>Amount</u>		<u>Bad debts provision</u>		<u>Carrying amount</u>	<u>Amount</u>		<u>Bad debts provision</u>		<u>Carrying amount</u>
	<u>Amount</u> RMB	<u>Proportion</u> %	<u>Amount</u> RMB	<u>Ratio</u> %		<u>Amount</u> RMB	<u>Proportion</u> %	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Amount</u> RMB
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	67,557,319	46.4	-	-	67,557,319	72,118,959	40.7	-	-	72,118,959
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	78,115,092	53.6	-	-	78,115,092	104,990,557	59.3	-	-	104,990,557
Total	145,672,411	100.0	-	-	145,672,411	177,109,516	100.0	-	-	177,109,516

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 3. Accounts receivable - continued

## (1) Disclosure of accounts receivable by categories: - continued

The Group determines that accounts receivable of more than RMB3,000,000 is considered as individually significant trade receivable.

The normal credit term is one month, which can be extended to one year for certain major customers. The accounts receivable are interest-free.

The aging analysis is as follows:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	145,672,411	174,141,205
1 to 2 years	-	2,968,311
	<u>145,672,411</u>	<u>177,109,516</u>

## (2) Recognitions, collections and reversals during the current period:

As at 31 December 2014, there was no bad debt provision for accounts receivable (31 December 2013: Nil). There was no bad debt provision made, reversed or written-off by management in 2014 (2013: Nil).

## (3) Top five entities with the largest balances of accounts receivable:

	<u>Relationship with the Group</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Percentage of total receivables</u> %
Nonggongshang Supermarket (Group) Co., Ltd	Third party	13,983,913	Within 1 year	9.6
Wal-Mart (China) Investment Co., Ltd.	Third party	9,764,215	Within 1 year	6.7
Suguo Supermarket Co., Ltd	Third party	8,979,267	Within 1 year	6.2
Kunshan Runhua Business Co. Ltd				
Huangpu branch	Third party	8,363,514	Within 1 year	5.7
Wumart Stores, Inc.	Third party	7,864,077	Within 1 year	5.4
		<u>48,954,986</u>		<u>33.6</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****4. Prepayments**

(1) The aging analysis is as follows:

	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Amount</u> RMB	<u>Ratio</u> %
Within 1 year	<u>8,073,786</u>	<u>100.0</u>	<u>45,997,863</u>	<u>100.0</u>

(2) As at 31 December 2014, the top 5 of prepayments are as follows:

	<u>Relationship with the Group</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Reason for being outstanding</u>	<u>Percentage of total advances to suppliers</u> %
Austria Lawrence Fine Wines V Co. Ltd	Third party	2,828,300	Within 1 year	goods not received	35.0
Shandong Electricity Company Yantai branch	Third party	677,389	Within 1 year	electricity purchase	8.4
Beijing Diaoyutai Wine Co.	Third party	400,800	Within 1 year	prepaid deposits	5.0
Liu, Yuling	Third party	348,124	Within 1 year	goods not received	4.3
Yu, Zhihai	Third party	328,194	Within 1 year	goods not received	4.1
		<u>4,582,807</u>			<u>56.8</u>

**5. Interest receivable**

(1) Categories of interest receivable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Interests of term deposits	<u>3,619,429</u>	<u>8,417,995</u>

(2) Overdue interest

As at 31 December 2014, there was no overdue interest receivable (31 December 2013: Nil).

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****6. Other receivables****(1) Disclosure of other receivables by categories**

	Closing balance					Opening balance				
	Amount		Bad debts provision		Carrying amount	Amount		Bad debts provision		Carrying amount
	Amount RMB	Proportion %	Amount RMB	Ratio %		Amount RMB	Proportion %	Amount RMB	Ratio %	Amount RMB
Other receivables that are individually significant and for which bad debt provision has been assessed individually	16,540,213	42.9	(7,199,521)	43.5	9,340,692	65,272,429	61.2	(7,392,429)	11.3	57,880,000
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	22,021,610	57.1	-	-	22,021,610	41,451,794	38.8	-	-	41,451,794
合计	38,561,823	100.0	(7,199,521)	18.7	31,362,302	106,724,223	100.0	(7,392,429)	6.9	99,331,794

The Group determines that other receivables of more than RMB 3,000,000 are considered as individually significant other receivables.

Other receivables that are individually significant and for which bad debt provision has been assessed individually:

As at 31 December 2014, the bad debt provision for individually significant balance is as follows:

	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB	<u>Percentage</u> %	<u>Reason for provision</u>
				The debtor is in the process of
liquidation				
Tiantong Security Co., Ltd.	7,199,521	7,199,521	100	Unable to repay

As at 31 December 2013, the bad debt provision for individually significant balance is as follows:

	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB	<u>Percentage</u> %	<u>Reason for provision</u>
				The debtor is in the process of
liquidation				
Tiantong Security Co., Ltd.	7,392,429	7,392,429	100	Unable to repay

The aging analysis is as follows:

	Closing balance				Opening balance			
	Amount		Bad debts provision	Carrying amount	Amount		Bad debts provision	Carrying amount
	Amount RMB	Proportion %			Amount RMB	Proportion %		
Within 1 year	22,513,054	58.4	-	22,513,054	96,808,614	90.7	-	96,808,614
1 to 2 years	7,422,977	19.3	-	7,422,977	1,936,191	1.8	-	1,936,191
2 to 3 years	976,083	2.5	-	976,083	221,072	0.2	-	221,072
Over 3 years	7,649,709	19.8	(7,199,521)	450,188	7,758,346	7.3	(7,392,429)	365,917
	38,561,823	100.0	(7,199,521)	31,362,302	106,724,223	100.0	(7,392,429)	99,331,794

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 6. Other receivables - continued

## (2) Accrual, reversal and written-off during the current period

	<u>Opening balance</u> RMB	<u>Accrual</u> RMB	<u>Reversal</u> RMB	<u>Written-off</u> RMB	<u>Closing balance</u> RMB
2014	7,392,429		(192,908)		7,199,521

No bad debt accrued in 2014, and bad debt reversed in 2014 is RMB 192,908.

<u>Content of other receivables</u>	<u>Reasons for reversal or collections</u>	<u>Basis of determining the original bad debt provision</u>	<u>Accumulated bad debt provision prior to reversals or collections</u> RMB	<u>Amount of reversals or collections</u> RMB
Tiantong Security Co., Ltd.	Collected	Exceed credit period	(7,392,429)	192,908

## (3) Other receivables written off in the reporting period

No other receivable written off in 2014.

## (4) Disclosure of other receivables by categories

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Deposit	8,651,139	8,794,120
Petty cash receivable	3,138,780	3,657,944
Refund of consumption tax, real estate tax	8,772,123	6,927,183
Land purchase deposit	-	52,880,000
Others	10,800,260	27,072,547
	<u>31,362,302</u>	<u>99,331,794</u>

## (5) Top five entities with the largest balances of other receivables

As at 31 December 2014, the top 5 of other receivables are as follows:

	<u>Nature</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Percentage of total other receivable</u> %	<u>Bad debt Amount</u> RMB
Tiantong Security Co., Ltd.	Investment fund	7,199,521	Over 3 years	18.7	7,199,521
Yantai Economic and Technological Development Zone Construction Industry Association	Deposit	5,000,000	1-2 years	13.0	-
Shihezi National Tax Bureau	Refund tax	4,340,692	Within 1 year	11.2	-
Yantai National Tax Bureau	Refund tax	2,407,934	Within 1 year	6.2	-
Liaoning Administration of Foreign Experts Affairs	Reimbursed expenses	1,894,055	1-2 years	4.9	-
		<u>20,842,202</u>		<u>54.0</u>	<u>7,199,521</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****7. Inventories****(1) Disclosure of inventories by categories**

	Closing balance			Opening balance		
	Balance RMB	Provision RMB	Net carrying amount RMB	Balance RMB	Provision RMB	Net carrying amount RMB
Raw material	74,820,215	-	74,820,215	85,025,169	-	85,025,169
Work in progress	919,070,983	-	919,070,983	930,137,624	-	930,137,624
Finished goods	1,108,809,575	(15,324,375)	1,093,485,200	1,119,090,234	(13,135,590)	1,105,954,644
	<u>2,102,700,773</u>	<u>(15,324,375)</u>	<u>2,087,376,398</u>	<u>2,134,253,027</u>	<u>(13,135,590)</u>	<u>2,121,117,437</u>

**(2) Inventory provision**

<u>2014</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Finished goods	13,135,590	2,188,785	-	15,324,375

**8. Available-for-sale financial assets****(1) Available-for-sale financial assets**

	Closing balance			Opening balance		
	Amount RMB	Impairment RMB	Carrying amount RMB	Amount RMB	Impairment RMB	Carrying amount RMB
Available-for-sale equity instruments measured at cost	10,000,000	(10,000,000)	-	10,000,000	(10,000,000)	-

**(2) Available-for-sale financial assets measured at cost**

<u>Investee</u>	Carrying amount				Provision for impairment losses				Proportion of voting power in the investee (%)	Cash dividend for the period RMB
	Opening RMB	Increase RMB	Decrease RMB	Closing RMB	Opening RMB	Increase RMB	Decrease RMB	Closing RMB		
Yantai Dingtao Construction and Development Co., Ltd.	10,000,000	-	-	10,000,000	10,000,000	-	-	10,000,000	18	-

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****9. Fixed assets****(1) Details of fixed assets**

	<u>Buildings</u> RMB	<u>Machinery</u> RMB	<u>Motor Vehicles</u> RMB	<u>Total</u> RMB
I. Total original carrying amount				
1. Opening balance	1,464,646,808	1,236,192,126	24,325,489	2,725,164,423
2. Increase				
Purchase	4,823,315	47,752,763	2,129,517	54,705,595
Transfer from CIP	590,228,245	98,432,128	-	688,660,373
3. Decrease				
Disposal	-	(8,402,917)	(680,303)	(9,083,220)
4. Closing balance	2,059,698,368	1,373,974,100	25,774,703	3,459,447,171
II. Total accumulated depreciation				
1. Opening balance	222,433,019	565,658,995	19,431,065	807,523,079
2. Increase				
Additions	47,202,827	78,071,524	1,875,434	127,149,785
3. Decrease				
Disposal	-	(7,560,146)	(347,902)	(7,908,048)
4. Closing balance	269,635,846	636,170,373	20,958,597	926,764,816
III. Total carrying amount of fixed assets				
1. Closing carrying amount	1,790,062,522	737,803,727	4,816,106	2,532,682,355
2. Opening carrying amount	1,242,213,789	670,533,131	4,894,424	1,917,641,344

As at 31 December 2014, there was no fixed assets with ownership restricted (31 December 2013: Nil).

As at 31 December 2014, there was no temporary idle fixed assets, no fixed assets leased under finance leases, no leased out under operating leases and no held for sale at the end of the period.

**(2) Fixed assets of which certificates of title have not been obtained**

As at 31 December 2014, buildings without property certificate are as follows:

<u>Items</u>	<u>Amount</u> RMB	<u>Reasons why certificates of title have not been obtained</u>
Xinjiang Shihezi Chateau factory building	256,981,006	Processing
Beijing Chateau European town, main, service building	233,407,559	Processing
Ningxia Wine production factory and office building	77,789,345	Processing
Sales Company office buildings	44,351,379	Processing
Xinjiang Tianzhu fermentations and storage warehouse	28,325,121	Processing
Ice Wine Chateau office building and packing workshop	10,429,634	Processing
Fermentation center office, experiment building and workshop	6,556,657	Processing
Jingyang factory fermentation building	4,969,078	Processing
Kylin Packaging finished goods warehouse and workshop	2,759,562	Processing



**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****10. Construction in progress****(1) Construction in progress**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
The Company's reconstruction project	182,767	269,802
Xinjiang Tianzhu workshop reconstruction project	317,758	1,018,309
Kylin Packing production line project	-	19,800
Yantai Chateau vineyard project	-	10,619,000
AFIP plaza reconstruction project	28,000	-
Ningxia Chateau road project	4,083,378	600,000
Ice Wine Chateau project	69,840	-
Sales Company construction project	39,316,089	66,682,027
Langfang Castel reconstruction project	271,057	-
Jingyang Wine fermentation workshop reconstruction project	794,385	158,569
Ningxia united workshop	-	1,464,202
Shi He Zi Chateau construction project	69,298,865	152,871,244
Xinjiang Sales Co. construction project	6,513,350	-
Ningxia Chateau construction project	127,432,353	92,062,210
Xianyang Chateau construction project	222,927,964	403,657,745
Research, development and manufacturing center Construction Project	1,127,641,913	558,716,989
Ding Luo Te Chateau Project	73,517,357	119,074,949
Huanren factory construction project	26,261,424	16,439,684
Chang'an Chateau tourism project	1,810,000	-
	<u>1,700,466,500</u>	<u>1,423,654,530</u>

**(2) Changes in significant construction in progress**

	<u>Budget</u> RMB	<u>Opening balance</u> RMB	<u>Addition</u> RMB	<u>Transfer to PPE</u> RMB	<u>Opening balance</u> RMB	<u>Accumulated expenditure/budget</u> %	<u>Status</u>	<u>Financed by</u>
Xinjiang Tianzhu technology innovation and reconstruction project	3,500,000	1,018,309	2,018,462	(2,719,013)	317,758	92.7	92.7	Self-raised
Yantai Chateau vineyard project	30,000,000	10,619,000	9,916,359	(20,535,359)	-	68.5	68.5	Self-raised
Sales Company construction project	161,350,000	66,682,027	18,011,481	(45,377,419)	39,316,089	88.2	88.2	Self-raised
Shihezi Chateau Construction Project (include Xinjiang Sales)	780,000,000	152,871,244	80,212,788	(157,271,817)	75,812,215	82.4	82.4	Self-raised
Ningxia Chateau Construction Project (include Ningxia Growing)	414,150,000	92,662,210	79,015,348	(40,161,827)	131,515,731	90.7	90.7	Self-raised
XianyangChateauConstructionProject (include Shanxi Tourism)	620,740,000	403,657,745	150,024,525	(328,944,306)	224,737,964	89.2	89.2	Self-raised
Research, development and manufacturing center	1,693,970,000	558,716,989	568,924,924	-	1,127,641,913	66.6	66.6	Self-raised
Ding Luo Te Chateau project	192,400,000	119,074,949	47,238,806	(92,796,398)	73,517,357	86.4	86.4	Self-raised
Huanren factory construction project	31,000,000	16,439,684	9,821,740	-	26,261,424	84.7	84.7	Self-raised
		<u>1,421,742,157</u>	<u>965,184,433</u>	<u>(687,806,139)</u>	<u>1,699,120,451</u>			

There was no interest capitalized in construction in progress in 2014.

As at 31 December 2014, there was no indication of impairment, therefore no provision was made.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****11. Bearer biological assets**

Measured at cost

<u>Planting</u>	<u>RMB</u>
I. Total original carrying amount	
1. Opening balance	110,589,680
2. Increase	
Self cultivated	55,887,849
3. Decrease	
Disposal	(5,093,268)
4. Closing balance	161,384,261
II. Total accumulated depreciation	
1. Opening balance	8,795,165
2. Increase	
Accrual	865,855
3. Closing balance	9,661,020
III. Total net carrying amount	
1. Closing net carrying amount	151,723,241
2. Opening net carrying amount	101,794,515

As at 31 December 2014, there is no biological asset with ownership restricted.

As at 31 December 2014, biological assets of the Group include mature bearer biological assets of RMB 23,758,058 (2013: RMB 13,994,402) and immature bearer biological assets of RMB 127,965,183. (2013: RMB 87,800,113)

As at 31 December 2014, there is no indication that biological assets may be impaired, and no provision was made.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 12. Intangible assets

## (1) Intangible asset

	<u>Land use rights</u> RMB	<u>Microsoft use rights</u> RMB	<u>Total</u> RMB
I. Total original carrying amount			
1. Opening balance	301,043,015	27,123,447	328,166,462
2. Increase			
Purchase	158,324,359	9,893,577	168,217,936
3. Closing balance	459,367,374	37,017,024	496,384,398
II. Total accumulated depreciation			
1. Opening balance	27,687,916	4,348,792	32,036,708
2. Increase			
Accrual	8,595,240	2,801,256	11,396,496
3. Closing balance	36,283,156	7,150,048	43,433,204
III. Total net carrying amount			
1. Closing net carrying amount	423,084,218	29,866,976	452,951,194
2. Opening net carrying amount	273,355,099	22,774,655	296,129,754

As at 31 December 2014, there was no intangible asset with restricted ownership.

## (2) Intangible asset with restricted ownership

	<u>Amount</u> RMB	<u>Reasons</u>
Yantai Development District A - 48、49、51、52	151,895,607	Processing

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****13. Goodwill**

<u>Investee</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Etablissements Roulet Fransac (Fransac Sales)	13,112,525	-	-	13,112,525

The Group recognised a goodwill of RMB13,112,525 in regard to the acquisition of Fransac Sales, and the Goodwill has been allocated to relevant asset groups to undertake impairment test.

The recoverable amount of an asset group is determined based on the present value of expected future cash flows. Future cash flow projections are made based on financial budgets approved by management covering a 5-year period (projecting period) and presume that cash flows after the projecting period (subsequent period) remain unchanged. Discount rate used in calculating recoverable amount is 9.9%. One key assumption in projecting future cash flows is the growth rate in projecting period, which is computed based on the expected growth rate of the industry. Growth rate of sales in subsequent period is 2%. Management of the Group believes that any reasonable changes in the above assumptions will not cause book value of the subsidiary exceeds its recoverable amount.

According to the assessment, the Group confirms that no impairment provision need to be made for goodwill in the reporting period.

**14. Long-term prepaid expenses**

<u>2014</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Amortization</u> RMB	<u>Closing balance</u> RMB
Land lease prepayments	62,501,074	-	(1,690,886)	60,810,188
Land requisition fee	48,391,000	-	(884,630)	47,506,370
Greening fee	43,693,264	8,133,342	(11,230,548)	40,596,058
Leasehold improvement	-	38,022,896	(1,289,211)	36,733,685
Others	10,936,465	6,033,442	(704,603)	16,265,304
	165,521,803	52,189,680	(15,799,878)	201,911,605

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****15. Deferred tax assets/liabilities**

Deferred tax assets and deferred tax liabilities are not related to income tax of the same tax authorities of the same tax subjects, thus not presented with the net amount after netting.

**(1) Recognised deferred tax assets not presented at the net amount after offset:**

<u>Items</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Temporary differences</u>	<u>Deferred tax assets</u>	<u>Temporary differences</u>	<u>Deferred tax assets</u>
	RMB	RMB	RMB	RMB
Unrealized profit from intra - company transactions	632,127,732	158,031,933	337,972,433	84,493,108
Unpaid bonus	95,326,160	23,831,540	78,542,951	19,635,738
Retirement benefit	15,936,065	3,984,016	19,509,959	4,877,490
Asset impairment provision	32,523,896	8,130,974	30,528,019	7,632,005
Deductable losses	160,950,941	44,093,889	97,387,257	24,346,814
Deferred income	88,423,710	16,114,471	96,526,843	17,547,935
	<u>1,025,288,504</u>	<u>254,186,823</u>	<u>660,467,462</u>	<u>158,533,090</u>

**(2) Recognised deferred tax liabilities not presented at the net amount after offset:**

<u>Item</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Taxable temporary difference</u>	<u>Deferred tax liability</u>	<u>Taxable temporary difference</u>	<u>Deferred tax liability</u>
	RMB	RMB	RMB	RMB
Revaluation surplus in business combination Not under common control	<u>18,262,543</u>	<u>4,565,636</u>	<u>21,344,460</u>	<u>5,336,115</u>

**(3) Deferred tax assets and liabilities not recognized:**

	<u>Closing balance</u>	<u>Opening balance</u>
	RMB	RMB
Deductable losses	<u>1,363,422</u>	<u>20,440,916</u>

**(4) Deductable losses not recognized as deferred tax assets will expire in:**

	<u>Closing balance</u>	<u>Opening balance</u>
	RMB	RMB
2014	-	19,077,494
2015	<u>1,363,422</u>	<u>1,363,422</u>
	<u>1,363,422</u>	<u>20,440,916</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 16. Other non-current assets

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Receivable from transfer of Ningxia Growing's biological assets	15,751,605	21,370,902

## 17. Short-term borrowings

## Categories of short-term borrowings

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Secured loans with securities under the custody of lenders	-	243,170,674
Unsecured and non-guaranteed loans	300,000,000	-
	<u>300,000,000</u>	<u>243,170,674</u>

As at 31 December 2014, unsecured loans detail is as follows:

<u>Bank</u>	<u>Amount</u> RMB	<u>Repayment date</u>	<u>Interest rate</u> %
HSBC China Qingdao branch	100,000,000	18 July 2014 - 19 January 2015	5.4
HSBC China Qingdao branch	100,000,000	27 November 2014 - 26 November 2015	5.0
ICBC Yantai branch	<u>100,000,000</u>	10 July 2014 - 9 July 2015	<u>5.4</u>

As at 31 December 2014, short-term borrowing of the Group are all fixed interest rate borrowings.

## 18. Notes payables

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	10,000,000	5,765,694

As at 31 December 2014, there was no due notes payable unpaid (31 December 2013: Nil).

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****19. Accounts payable**

The aging analysis of accounts payable are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	<u>357,811,822</u>	<u>258,116,331</u>

**20. Advances from customers**

The aging analysis of advances from customers are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	208,769,108	182,757,182
1 to 2 years	1,898,868	5,894,072
2 to 3 years	<u>4,459,622</u>	<u>-</u>
	<u>215,127,598</u>	<u>188,651,254</u>

**21. Employee benefit payable****(1) Employee benefit payable**

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Short-term payroll	111,190,545	353,791,940	(322,027,521)	142,954,964
Post-demission benefits				
- predetermined provision plan	23,672	30,609,765	(30,575,874)	57,563
Termination benefits	<u>19,506,018</u>	<u>2,241,982</u>	<u>(5,811,935)</u>	<u>15,936,065</u>
	<u>130,720,235</u>	<u>386,643,687</u>	<u>(358,415,330)</u>	<u>158,948,592</u>

**(2) Short-term payroll**

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Salaries and bonus	108,645,022	320,261,874	(288,988,942)	139,917,954
Staff benefit	-	10,809,302	(10,803,334)	5,968
Staff welfare	153,590	10,665,428	(10,657,529)	161,489
Includes:				
Medical insurance	153,590	9,123,499	(9,118,602)	158,487
Injury insurance	-	816,511	(814,939)	1,572
Maternity insurance	-	725,418	(723,988)	1,430
Housing fund	9,932	8,150,367	(8,090,063)	70,236
Union fee and education fee	<u>2,382,001</u>	<u>3,904,969</u>	<u>(3,487,653)</u>	<u>2,799,317</u>
	<u>111,190,545</u>	<u>353,791,940</u>	<u>(322,027,521)</u>	<u>142,954,964</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 21. Employee benefit payable - continued

## (3) Predetermined provision plan

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Pension	23,449	29,060,721	(29,028,207)	55,963
Unemployment insurance	223	1,549,044	(1,547,667)	1,600
	<u>23,672</u>	<u>30,609,765</u>	<u>(30,575,874)</u>	<u>57,563</u>

The Group participates in pension insurance and unemployment insurance plans established by government institution. According to those plans, the Group pays pension and unemployment insurance each month on the basis of 18% and 1% last period salary respectively. Apart from these monthly expenses, the Group does not bear any further payment obligation. This year the Group should pay RMB 29,060,721 and RMB 1,549,044 (In 2013: RMB 30,598,636 and RMB 1,637,364) respectively into pension insurance and unemployment insurance. At 31 December 2014, the Group has unpaid pension and unemployment insurance of RMB 55,963 and RMB 1,600 respectively (At 31 December 2013: RMB 23,499 and RMB 223), which is due to the pension insurance and unemployment insurance plan at the end of the reporting period. These payments have been paid after the end of the reporting period.

## 22. Taxes payable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Value added tax	(62,755,555)	862,414
Consumption tax	18,849,955	26,658,283
Business tax	1,005,135	4,348,055
Corporation income tax	109,836,980	142,079,369
Urban land use tax	1,519,318	878,982
Individual income tax	6,644,281	6,824,553
City construction tax	4,831,936	6,016,703
Property tax	898,914	655,545
Others	6,673,084	6,089,526
	<u>87,504,048</u>	<u>194,413,430</u>



**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****23. Deferred income**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Government grants		
Current liabilities	12,398,718	12,915,801
Non-current liabilities	76,024,992	83,611,041
	<u>88,423,710</u>	<u>96,526,842</u>

**Government grants**

	<u>Opening</u> RMB	<u>Addition</u> RMB	<u>Recognized in</u> <u>non-operating income</u> RMB	<u>Closing</u> RMB	<u>Related to</u> <u>Assets/Income</u>
Luxury wine culture industry					
construction specific funds	2,520,000	-	(2,520,000)	-	Income
Miyun Propaganda Department transfer	4,444,725	-	(888,945)	3,555,780	Assets
Grape base project specific funds	740,000	-	(740,000)	-	Assets
Ningxia industry revitalization and					
technology reconstruction funds	14,360,000	-	(3,295,000)	11,065,000	Assets
Industry revitalization and technology					
reconstruction specific funds	21,330,000	-	-	21,330,000	Assets
Wine base liquor brewage project	10,478,990	-	(1,434,874)	9,044,116	Assets
WuYouYiXin industrial cluster specific funds	180,000	-	(60,000)	120,000	Assets
Changyu chateau project funds	19,818,600	-	(3,702,000)	16,116,600	Assets
Wine electronic tracking system					
specific funds	5,860,527	-	(667,053)	5,193,474	Assets
Wine industry specific funds	930,000	-	-	930,000	Assets
Shandong Peninsula Blue Economic					
Area construction funds	10,000,000	-	-	10,000,000	Assets
863 Program subsidy funds for scientific research	64,000	-	(1,100)	62,900	Assets
Information system construction					
project technology funds	5,800,000	-	(580,000)	5,220,000	Assets
Integration projects subsidies	-	100,000	-	100,000	Income
Cross-border e-Business projects subsidies	-	2,200,000	(20,560)	2,179,440	Income
Wine grape subsidies	-	470,000	-	470,000	Income
Modern agriculture grape production					
development subsidies	-	324,000	-	324,000	Income
Agricultural technology subsidies	-	750,000	(117,600)	632,400	Income
Grape base construction project	-	2,600,000	(520,000)	2,080,000	Assets
Total	<u>96,526,842</u>	<u>6,444,000</u>	<u>(14,547,132)</u>	<u>88,423,710</u>	
Less: Non-current liabilities due within one year	<u>12,915,801</u>			<u>12,398,718</u>	
Other non-current liabilities	<u>83,611,041</u>			<u>76,024,992</u>	

As at 31 December 2014, the Group recognise current liability for deferred income to be accounted in profit or loss within one year, and recognise non-current liability for deferred income to be accounted in profit or loss over one year.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 24. Other payables

## (1) Natures of other payables are as follows

	<u>Closing balance</u>	<u>Opening balance</u>
	RMB	RMB
Deposit from distributors	134,470,408	215,888,735
Payables for equipment and construction	90,857,839	49,195,300
Payables for transportation	24,388,114	13,937,729
Royalty fee	77,809,993	78,986,198
Advertising costs	43,488,770	51,854,647
Other loans	22,522,636	22,522,636
Employee deposit	10,005,000	2,012,959
Deposits from suppliers	2,263,984	2,565,206
Payables for contracting fee	27,132,371	22,159,875
Others	36,865,202	38,178,345
	<u>469,804,317</u>	<u>497,301,630</u>

## (2) Description of significant other payables aged more than one year

<u>Company</u>	<u>Amount</u>	<u>Reasons</u>
	RMB	
Beijing Qinglang agriculture science and technology development limited company	18,630,431	Other loans
Beijing Qinglang agriculture science and technology development limited company	9,516,214	Payables for contracting fee
Yantai De'an Investment Company Limited	3,892,205	Other loans
Yantai De'an Investment Company Limited	3,245,832	Payables for contracting fee
	<u>35,284,682</u>	

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****25. Long-term borrowings**

Categories of long-term borrowings

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Secured loans with securities under the custody of lenders	119,912,800	-
Unsecured and non-guaranteed loans	89,467,200	-
	<u>209,380,000</u>	<u>-</u>

As at 31 December 2014, secured loan with securities under the custody of lenders is the amount borrowed by the Company from Qingdao Branch of HSBC with the bank deposit of RMB 125,000,000 as custody. The borrowing amount is HKD 152,000,000 (equivalent to RMB 119,912,800) with quarterly paid interest rate of the 3 months Hong Kong interbank offered rates plus 195 basis points and borrowing period from 4 July 2014 to 3 July 2016. As at 31 December 2014, the interest rate of secured loan is 2.4%.

As at 31 December 2014, credit loan of EUR 12,000,000 (equivalent to RMB 89,467,200) is borrowed by the Company from Yantai Branch of ICBC. Monthly paid interest rate is 6 months benchmark London interbank offered rate plus 355 basis points and borrowing period is from 1 October 2014 to 29 September 2017. As at 31 December 2014, the interest rate of credit loan is 3.7%.

As at 31 December 2014, the group's long-term borrowings are all floating rate loans.

**26. Other non-current liabilities**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Employee benefit	3,998,352	4,755,794

As at 31 December 2014, employee benefit represents deposit from bonus accrued for managers and above. According to the bonus payment schedule of 2014, the bonus is expected to be paid during 2016 to 2017.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****27. Share capital**2014

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Unrestricted shares				
A shares	453,460,800	-	-	453,460,800
B shares	232,003,200	-	-	232,003,200
Total of unrestricted shares and total shares	685,464,000	-	-	685,464,000

2013

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Unrestricted shares				
A shares	453,460,800	-	-	453,460,800
B shares	232,003,200	-	-	232,003,200
Total of unrestricted shares and total shares	685,464,000	-	-	685,464,000

**28. Capital reserve**2014

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Share premium	557,222,454	-	-	557,222,454
Other	5,916,588	-	-	5,916,588
Total	563,139,042	-	-	563,139,042

2013

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Share premium	557,222,454	-	-	557,222,454
Other	4,916,588	1,000,000	-	5,916,588
Total	562,139,042	1,000,000	-	563,139,042

According to Xing Cai (Qi) Fa [2009]1160, Ningxia Wine Co.Ltd. ("Ningxia Wine") recognised government grant of RMB1,000,000 into capital reserve. The government grant is obtained for 3 years in 2013 and was previously recognised in deferred income.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****29. Other comprehensive income**

2014

Items	Opening balance	2014					Closing balance
		Before-tax amount	Less: last year other comprehensive income in P/L current year	Less: tax expense	Post-tax attributable to parent	Post-tax attributable to NCI	
Other comprehensive income to be reclassified to profit and loss		(2,803,271)	-	-	(2,803,271)	-	(2,803,271)
Foreign currency statement translation difference	-	(2,803,271)	-	-	(2,803,271)	-	(2,803,271)

**30. Surplus reserve**

In accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, the Company is required to appropriate 10% of the net profit to the statutory surplus reserve until the accumulated balance of the statutory surplus reserve reaches 50% of the registered share capital. As the Company's surplus reserve has reached 50% of the share capital, the Company does not appropriate net profit to the surplus reserve in 2014.

The Company can appropriate discretionary surplus reserve after appropriation of the statutory surplus reserve. Discretionary surplus reserve can be utilized to offset the deficit or increase the share capital after approval.

**31. Retained earnings**

	Closing balance RMB	Opening balance RMB
Retained earnings brought forward	4,616,944,663	4,322,769,136
Add: profit attributable to shareholders of the Company	977,707,711	1,048,185,927
Less: Dividends paid in respect prior year's profit		-
Withdrawal of legal surplus	(342,732,000)	(754,010,400)
Conversion of ordinary share dividends		-
Retained earnings carried forward	5,251,920,374	4,616,944,663

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****31. Retained earnings - continued****(1) Appropriation to statutory surplus reserve**

In accordance with the Articles of Association of the Company, the Company is required to appropriate 10% of the net profit to the statutory surplus reserve until the accumulated balance of the statutory surplus reserve reaches 50% of the registered share capital.

**(2) Appropriation to surplus reserve by subsidiaries**

As at 31 December 2014, the balance of the Group's unappropriated profits include appropriation to surplus reserve by subsidiaries amounting to RMB 49,484,644 (31 December 2013: RMB 37,554,671).

**(3) Profit distribution decided after the balance sheet date**

According to a proposal of the board of directors approved on 25 April 2015, on the basis of 685,464,000 issued shares in 2014, cash dividends of RMB 4.4 for every 10 share will be distributed to all the shareholders. The aggregate amount of cash dividend is RMB301,604,160. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

**32. Operating income and costs**

Operating income is analyzed as follows:

	<u>2014</u> RMB	<u>2013</u> RMB
Principal operating income	4,113,169,270	4,273,801,693
Other operating income	43,558,255	47,146,879
	<u>4,156,727,525</u>	<u>4,320,948,572</u>

Operating cost is analyzed as follows:

	<u>2014</u> RMB	<u>2013</u> RMB
Principal operating cost	1,354,777,577	1,336,631,197
Other operating cost	17,667,035	21,266,802
	<u>1,372,444,612</u>	<u>1,357,897,999</u>

The operating income for the Group is mainly from the sales of wine, brandy and sparkling wine. Over 99% of the sales generated in PRC.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 33. Taxes and surcharges

	<u>2014</u> RMB	<u>2013</u> RMB
Consumption tax	171,424,114	150,438,896
Business Tax	2,853,114	2,595,076
City construction tax	51,051,930	44,937,923
Education fee and surcharges	36,830,754	31,426,897
Others	7,286,862	6,995,372
	<u>269,446,774</u>	<u>236,394,164</u>

For detail standards of tax rate please refer to Notes V Tax.

## 34. Selling expenses

	<u>2014</u> RMB	<u>2013</u> RMB
Advertising costs	466,868,778	592,734,876
Freight	120,998,488	126,085,723
Salary and employee benefit	183,841,797	181,783,664
Trademark fee	77,809,993	78,986,198
Warehouse leasing expenses	50,816,255	37,714,861
Travelling expenses	20,986,441	20,927,235
Commission	2,926,165	13,828,552
Others	81,761,447	88,775,041
	<u>1,006,009,364</u>	<u>1,140,836,150</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****35. General and administrative expense**

	<u>2014</u> RMB	<u>2013</u> RMB
Salary and employee benefit	42,752,029	39,539,807
Insurance fee	28,953,319	29,625,036
Leasing expenses	11,063,572	7,337,569
Depreciation	33,086,559	24,694,962
Amortization	10,961,304	8,396,636
Administrative expenses	14,472,830	13,706,767
Travelling expenses	5,290,745	6,604,787
Entertainment fee	3,786,968	3,964,265
Property tax, stamp duty and other taxes	13,585,138	11,118,372
Maintenance fee	16,559,436	15,723,166
Green fee	16,207,197	21,275,912
Contracting fee	16,539,989	18,415,497
Technology development fee	3,057,225	4,149,451
Service fee	4,158,814	5,890,437
Cleaning fee	6,860,665	4,875,096
Others	29,644,228	30,181,190
	<u>256,980,018</u>	<u>245,498,950</u>

**36. Loss on impairment of assets**

	<u>2014</u> RMB	<u>2013</u> RMB
Reversal of impairment loss	(192,908)	(607,571)
Inventory impairment (reversal)	2,188,785	(2,242,991)
Impairment of available for sale assets	-	5,000,000
	<u>1,995,877</u>	<u>2,149,438</u>

**37. Financial income**

	<u>2014</u> RMB	<u>2013</u> RMB
Interest income	(23,614,179)	(27,620,072)
Exchange difference	(7,031,076)	(6,632,540)
Less: Interest expenses	12,298,953	12,681,058
Bank charges	1,089,581	2,871,197
	<u>(17,256,721)</u>	<u>(18,700,357)</u>



**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****38. Non-operation income**

	<u>2014</u> RMB	<u>2013</u> RMB	Recognized in extraordinary profit and loss RMB
Gains on disposal of non-current assets	121,113	271,989	121,113
Including: gain on disposal of plant property and equipment	121,113	271,989	121,113
Government grants	40,545,714	36,659,754	40,545,714
Penalty income	637,531	210,757	637,531
Others	2,692,047	4,966,226	2,692,047
	<u>43,996,405</u>	<u>42,108,726</u>	<u>43,996,405</u>

Government grants recognized in the income statement is as follows:

	<u>2014</u> RMB	<u>2013</u> RMB	Assets/income related
Major projects support fund	6,878,819	1,680,000	Assets related
Small and medium enterprises support fund	5,010,153	3,902,827	Assets related
Tax refund	18,259,690	22,163,624	Income related
Others	10,397,052	8,913,303	Income related
	<u>40,545,714</u>	<u>36,659,754</u>	

**39. Non-operation expenses**

	<u>2014</u> RMB	<u>2013</u> RMB	Recognized in extraordinary profit and loss RMB
Loss on disposal of non-current assets	5,207,658	678,016	5,207,658
Including: losses from disposal of fixed assets	114,390	678,016	114,390
losses from disposal of biological assets	5,093,268	-	5,093,268
Donation	434,352	291,729	434,352
Others	2,728,239	904,478	2,728,239
	<u>8,370,249</u>	<u>1,874,223</u>	<u>8,370,249</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued****40. Income tax**

	<u>2014</u> RMB	<u>2013</u> RMB
Current income tax	421,450,258	357,077,756
Deferred income tax	(96,424,212)	(8,156,952)
	<u>325,026,046</u>	<u>348,920,804</u>

Reconciliation between income tax expenses and profits is as follows:

	<u>2014</u> RMB	<u>2013</u> RMB
Profit before tax	1,302,733,757	1,397,106,731
Income tax expense at statutory tax rate 25%	325,683,439	349,276,683
Effect of different tax rates applied by certain subsidiaries	(1,356,542)	(2,677,153)
Non-taxable income	-	(131,500)
Non-deductible expenses	699,149	2,452,774
Income tax expenses at the Group's effective tax rate	<u>325,026,046</u>	<u>348,920,804</u>

**41. Basic and dilutive earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary shareholders of the Company during the year and the weighted average number of outstanding ordinary shares.

	<u>2014</u> RMB	<u>2013</u> RMB
Earnings		
Consolidated profit attributable to ordinary shareholders of the Company	<u>977,707,711</u>	<u>1,048,185,927</u>
Shares		
Weighted average number of outstanding ordinary shares	<u>685,464,000</u>	<u>685,464,000</u>
Basic earnings per share	<u>1.43</u>	<u>1.53</u>

The Company does not have potential dilutive ordinary shares.

From the balance sheet date to the date of approval of this report, there are no subsequent events which would affect the numbers of the weighted average number of outstanding of ordinary shares.

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 42. Notes to consolidated cash flow statement

## (1) Cash received relating to other operating activities:

	<u>2014</u> RMB	<u>2013</u> RMB
Government grants	22,286,024	42,783,729
Others	<u>2,257,523</u>	<u>5,176,982</u>
	<u>24,543,547</u>	<u>47,960,711</u>

## (2) Cash paid relating to other operating activities:

	<u>2014</u> RMB	<u>2013</u> RMB
Selling expenses	726,232,000	944,945,796
General and administrative expenses	107,585,895	102,626,714
Others	<u>11,130,693</u>	<u>11,982,799</u>
	<u>844,948,588</u>	<u>1,059,555,309</u>

## (3) Cash paid relating to other financing activities:

	<u>2014</u> RMB	<u>2013</u> RMB
Cash liquidation of trust scheme	-	150,945,000
Pledged security of short-term borrowing	<u>125,000,000</u>	<u>125,000,000</u>
	<u>125,000,000</u>	<u>275,945,000</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 43. Supplementary information to consolidated cash flow statement

## (i) Supplementary information to consolidated cash flow statement

	<u>2014</u> RMB	<u>2013</u> RMB
Cash flows from operating activities calculated by adjusting the net profit:		
Net profit	977,707,711	1,048,185,927
Add: Loss for impairment of assets	1,995,877	2,149,438
Depreciation of fixed assets	127,149,785	125,540,127
Amortization of intangible assets	11,396,496	6,839,668
Amortization of Biological assets	865,855	846,620
Amortization of long-term prepaid expenses	15,799,878	17,780,973
Loss/(gain) on disposal of property plant and equipment	5,086,545	406,027
Finance income	(7,012,502)	(21,571,554)
Increase/(decrease) in deferred tax assets	(95,653,733)	(8,156,952)
Decrease/(increase) in deferred tax liabilities	(770,479)	-
Decrease/(increase) in inventories	31,552,254	149,746,995
Decrease/(increase) in operating receivables	48,497,684	(49,235,221)
Increase/(decrease) in operating payables	(46,532,075)	(537,457,741)
Net cash flows from operating activities	<u>1,070,083,296</u>	<u>735,074,307</u>

## (ii) Cash and cash equivalent

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Closing balance of cash and bank	1,145,365,071	1,367,818,182
Less:		
restricted bank deposits	2,643,519	2,609,237
restricted other monetary funds	135,004,018	131,257,285
deposit with a period of over three months	47,245,260	277,392,728
Closing balance of cash and cash equivalents	<u>960,472,274</u>	<u>956,558,932</u>

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

## 43. Supplementary information to consolidated cash flow statement - continued

## (ii) Cash and cash equivalent - continued

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash	960,472,274	956,558,932
Including:		
Cash on hand	101,660	772,817
Bank deposits on demand	960,370,614	955,786,115
Closing balance of cash and cash equivalents	<u>960,472,274</u>	<u>956,558,932</u>

## 44. Assets with restriction of ownership

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash and bank	<u>137,647,537</u>	<u>133,866,522</u>

As at 31 December 2014, cash and bank balances with restriction of ownership include: the Group's housing fund of RMB2,643,519, security of RMB125,000,000 pledged for a short-term borrowing from HSBC of HKD 152,000,000 (translated as RMB 119,912,800), refundable deposit for notes payable of Shi He Zi Chateau of RMB 10,000,000, and company cards deposit guarantee of RMB4,018.

## 45. Foreign monetary items

<u>Items</u>	<u>Closing foreign currency balance</u>	<u>Exchange rate</u>	<u>Closing translated RMB balance</u>
Cash and bank			
EUR	<u>46,148</u>	<u>7.4556</u>	<u>344,061</u>
Long-term borrowing			
EUR	<u>12,000,000</u>	<u>7.4556</u>	<u>89,467,200</u>
HKD	<u>152,000,000</u>	<u>0.7889</u>	<u>119,912,800</u>

## VII. CHANGE IN CONSOLIDATION SCOPE

### Change in consolidation scope due to other reasons (new established subsidiaries)

Name	Place and date of registration	Legal representative	Business nature	Registered capital	Principal activities	Incorporate code
<b>Subsidiaries acquired by establishment:</b>						
Francs Champs Participations SAS("Francs Champs")	17 December 2014 Cognac, France	Zhou, Hongjiang	Investment Sales	EUR 8,575,000	Investment, production sales and export	N/A
Lanzhou Changyu Wine Sales Co. Ltd ("Lanzhou Sales")	10 October 2014 Lanzhou Gansu, China	Yang, Ming	Sales	RMB100,000	Sales of wine	31607272-1
Beijing Retailing Co. Ltd ("Beijing Retailing")	28 April 2014 Beijing, China	Pan, Jianfu	Sales	RMB500,000	Wholesale of pre-packed foods	09890880-9
Tianjin Changyu Pioneer Sales Co. Ltd ("Tianjin Pioneer")*	8 November 2013 Tianjin, China	Li, Haiping	Sales	RMB500,000	Wholesale of pre-packed foods	08301099-1
Fuzhou Changyu Pioneer Sales Co. Ltd ("Fuzhou Pioneer")	27 May 2014 Fuzhou Fujian, China	Sun, Guiyang	Sales	RMB500,000	Wholesale of pre-packed foods	07976834-5
Nanjing Changyu Pioneer Sales Co. Ltd ("Nanjing Pioneer")*	12 November 2013 Nanjing Jiangsu, China	Zhang, Fuqian	Sales	RMB500,000	Wholesale of pre-packed foods	08416861-9
Xianyang Changyu Pioneer Sales Co. Ltd ("Xianyang Pioneer")	6 March 2014 Xianyang Shanxi, China	Wei, Binsheng	Sales	RMB500,000	Wholesale of pre-packed foods	08818837-7
Shenyang Changyu Pioneer Sales Co. Ltd ("Shenyang Pioneer")	16 April 2014 Shenyang Liaoning, China	Xiao, Yongjie	Sales	RMB500,000	Wholesale of pre-packed foods	09789141-9
Jinan Changyu Pioneer Sales Co. Ltd ("Jinan Pioneer")*	16 October 2013 Jinan Shandong, China	Li, Yingjun	Sales	RMB500,000	Wholesale of pre-packed foods	07617957-x
Shanghai Changyu Pioneer Sales Co. Ltd ("Shanghai Pioneer")*	15 November 2013 Shanghai, China	Zhai, Deqiang	Sales	RMB500,000	Wholesale of pre-packed foods	08209497-8
Fuzhou Changyu Pioneer Sales Co. Ltd ("Fuzhou Pioneer")*	16 October 2013 Fushun Jiangxi, China	Li, Shoukun	Sales	RMB500,000	Wholesale of pre-packed foods	07903537-9
Shijiazhuang Changyu Pioneer Sales Co. Ltd ("Shijiazhuang Pioneer")*	16 October 2013 Shijiazhuang Hebei, China	Yi, Longhai	Sales	RMB500,000	Wholesale of pre-packed foods	08131179-0
Hangzhou Yuzefeng Sales Co. Ltd ("Hangzhou Yuzefeng")	11 April 2014 Hangzhou Zhejiang, China	Xiao, Zhenbo	Sales	RMB500,000	Wholesale of pre-packed foods	09760041-5
Jilin Changyu Pioneer Sales Co. Ltd ("Jilin Pioneer")*	21 October 2013 Changchun Jilin, China	Wang, Bo	Sales	RMB500,000	Wholesale of pre-packed foods	07364313-8
Beijing Changyu Pioneer Sales Co. Ltd ("Beijing Pioneer")	12 March 2014 Beijing, China	Pan, Jianfu	Sales	RMB500,000	Wholesale of pre-packed foods	06125269-0
Haerbin Changyu Pioneer Sales Co. Ltd ("Haerbin Pioneer")	17 June 2014 Haerbin Heilongjiang, China	Tan, Jun	Sales	RMB500,000	Wholesale of pre-packed foods	30082468-5
Hunan Changyu Pioneer Sales Co. Ltd ("Hunan Pioneer")	10 March 2014 Changsha Hunan, China	Sun, Junming	Sales	RMB2,000,000	Wholesale of pre-packed foods	09446465-7
Yinchuan Changyu Pioneer Sales Co. Ltd ("Yinchuan Pioneer")*	21 November 2013 Yinchuan Ningxia, China	Ruan, Shili	Sales	RMB500,000	Wholesale of pre-packed foods	07384874-X
Kunming Changyu Pioneer Sales Co. Ltd ("Kunming Pioneer")*	31 October 2013 Kunming Yunnan, China	Ma, Long	Sales	RMB500,000	Wholesale of pre-packed foods	08042997-3
Chongqing Changyu Pioneer Sales Co. Ltd ("Chongqing Pioneer")	20 August 2014 Chongqing, China	Wang, Wenkai	Sales	RMB500,000	Wholesale of pre-packed foods	30506782-0
Zhengzhou Changyu Pioneer Sales Co. Ltd ("Zhengzhou Pioneer")	14 October 2014 Zhengzhou Henan, China	Bi, Jianhui	Sales	RMB500,000	Wholesale of pre-packed foods	31730946-0
Wuhan Changyu Pioneer Sales Co. Ltd ("Wuhan Pioneer")	12 September 2014 Wuhan Hubei, China	Yu, Jun	Sales	RMB500,000	Wholesale of pre-packed foods	09200921-2
Taiyuan Changyu Pioneer Sales Co. Ltd ("Taiyuan Pioneer")	3 September 2014 Taiyuan Shanxi, China	Zhang, Shuzheng	Sales	RMB500,000	Wholesale of pre-packed foods	39792586-0
Huhehaote Changyu Pioneer Sales Co. Ltd ("Huhehaote Pioneer")	18 July 2014 Huhehaote Inner Mongolia, China	Han, Yong	Sales	RMB500,000	Wholesale of pre-packed foods	39776001-5
Chengdu Changyu Pioneer Sales Co. Ltd ("Chengdu Pioneer")	10 September 2014 Chengdu Sichuan, China	Sun, Xiaopu	Sales	RMB500,000	Wholesale of pre-packed foods	39562291-1
Nanning Changyu Pioneer Sales Co. Ltd ("Nanning Pioneer")	10 December 2014 Nanning Guangxi, China	Dong, Houxin	Sales	RMB500,000	Wholesale of pre-packed foods	32266009-5

\* At 31 December 2013, these subsidiaries had completed registration but paid share capital in 2014, therefore they are included in the consolidation scope of the Group in 2014.

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Structure of the Group

Name	Address	Place of registration	Nature	Equity interest owned by the company		Acquisition method
				Direct	Indirect	
Xinjiang Tianzhu (a)	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	60%	-	Subsidiary acquired in business combination under non-common control
Fransac Sales	Cognac, France	Cognac, France	Trading	100%	-	Subsidiary acquired in business combination under non-common control
Beijing Changyu Sales and distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Sales	100%	-	Subsidiaries acquired by establishment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu-Castel Wine Chateau Co., Ltd ("Changyu Chateau") (b)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	70%	-	Subsidiaries acquired by establishment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Manufacturing	90%	10%	Subsidiaries acquired by establishment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	100%	-	Subsidiaries acquired by establishment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel") (c)	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	39%	10%	Subsidiaries acquired by establishment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	10%	90%	Subsidiaries acquired by establishment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Sales	10%	90%	Subsidiaries acquired by establishment
Shanghai Changyu Sales and distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Sales	30%	70%	Subsidiaries acquired by establishment
Beijing Changyu AFIP Agriculture development Co., Ltd ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Changyu AFIP Wine Chateau Co., Ltd. (d)	Beijing, China	Beijing, China	Manufacturing	70%	-	Subsidiaries acquired by establishment
Yantai ("Beijing Chateau") Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	90%	10%	Subsidiaries acquired by establishment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	70%	30%	Subsidiaries acquired by establishment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Ningxia Growing	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Planting	100%	-	Subsidiaries acquired by establishment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Sales	100%	-	Subsidiaries acquired by establishment
Liaoning Changyu Ice Wine Chateau Co., Ltd. ("Ice Chateau") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	51%	-	Subsidiaries acquired by establishment
Yantai Development Zone Changyu Trading Co., Ltd ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Shenzhen Changyu Wine Marketing Ltd. ("Shenzhen Marketing")	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Sales	-	100%	Subsidiaries acquired by establishment
Yantai Changyu Fushan Trading Company("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Service	-	100%	Subsidiaries acquired by establishment
Beijing AFIP Tourism and Culture Company("AFIP Tourism") (f)	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	70%	-	Subsidiaries acquired by establishment
Ningxia Wine	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu DingLuoTe Chateau. ("Ding Luo Te Chateau")	Yantai, Shandong, China	Yantai, Shandong, China	Retail and Sales	100%	-	Subsidiaries acquired by establishment
Qing Tong Xia Changyu Wine Marketing Ltd("Qing Tong Xia Sales")	Qing Tong Xia, Ningxia, China	Qing Tong Xia, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Shi He Zi Chateau	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Ningxia Moser 15th Changyu Wine Chateau Co., Ltd. ("Ningxia Chateau")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Shanxi Changyu Rina Castle Chateau Co., Ltd. ("Chang'an Chateau")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu Wine Research and Development Co., Ltd. ("R&D Centre")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi LiaoNing China	Benxi LiaoNing China	Wine production	100%	-	Subsidiaries acquired by establishment
Xinjiang Changyu Sales Co., Ltd ("Xinjiang Sales")	Shihezi Xinjiang China	Shihezi Xinjiang China	Projecting Sales	-	100%	Subsidiaries acquired by establishment
Xinjiang Changyu Winery Co., Ltd ("Xinjiang Winery")	Shihezi Xinjiang China	Shihezi Xinjiang China	Manufacturing	-	100%	Subsidiaries acquired by establishment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan Ningxia China	Yinchuan Ningxia China	Sales	-	100%	Subsidiaries acquired by establishment
Shanxi Changyu Rina Wine Sales Co., Ltd ("Shanxi Sales")	Xianyang Shanxi China	Xianyang Shanxi China	Sales	-	100%	Subsidiaries acquired by establishment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Sales")	Penglai Shandong China	Penglai Shandong China	Sales	-	100%	Subsidiaries acquired by establishment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou Shandong China	Laizhou Shandong China	Sales	-	100%	Subsidiaries acquired by establishment
Fransac Champes	Cognac, France	Cognac, France	Investment and trading	100%	-	Subsidiaries acquired by establishment
Lanzhou Sales	Lanzhou Gansu, China	Lanzhou Gansu, China	Sales	100%	-	Subsidiaries acquired by establishment
Beijing Retailing	Beijing, China	Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Tianjin Pioneer	Tianjin, China	Tianjin, China	Sales	-	100%	Subsidiaries acquired by establishment
Fuzhou Pioneer	Fuzhou Fujian, China	Fuzhou Fujian, China	Sales	-	100%	Subsidiaries acquired by establishment
Nanjing Pioneer	Nanjing, Jiangsu, China	Nanjing, Jiangsu, China	Sales	-	100%	Subsidiaries acquired by establishment
Xianyang Pioneer	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Shenyang Pioneer	Shenyang, Liaoning, China	Shenyang, Liaoning, China	Sales	-	100%	Subsidiaries acquired by establishment
Jinan Pioneer	Jinan, Shandong, China	Jinan, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Shanghai Pioneer	Shanghai, China	Shanghai, China	Sales	-	100%	Subsidiaries acquired by establishment
Fuzhou Pioneer	Fuzhou, Jiangxi, China	Fuzhou, Jiangxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Shijiazhuang Pioneer	Shijiazhuang, Hebei, China	Shijiazhuang, Hebei, China	Sales	-	100%	Subsidiaries acquired by establishment
Hangzhou Yuzefeng	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Jilin Pioneer	Changchun, Jilin, China	Changchun, Jilin, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Pioneer	Beijing, China	Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Haerbin Pioneer	Haerbin, Heilongjiang, China	Haerbin, Heilongjiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Hunan Pioneer	Changsha, Hunan, China	Changsha, Hunan, China	Sales	-	100%	Subsidiaries acquired by establishment
Yinchuan Pioneer	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Kunming Pioneer	Kunming, Yunnan, China	Kunming, Yunnan, China	Sales	-	100%	Subsidiaries acquired by establishment
Chongqing Pioneer	Chongqing, China	Chongqing, China	Sales	-	100%	Subsidiaries acquired by establishment
Zhengzhou Pioneer	Zhengzhou, Henan, China	Zhengzhou, Henan, China	Sales	-	100%	Subsidiaries acquired by establishment
Wuhan Pioneer	Wuhan, Hubei, China	Wuhan, Hubei, China	Sales	-	100%	Subsidiaries acquired by establishment
Taiyuan Pioneer	Taiyuan, Shanxi, China	Taiyuan, Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Huhehaote Pioneer	Huhehaote Inner Mongolia, China	Huhehaote Inner Mongolia, China	Sales	-	100%	Subsidiaries acquired by establishment
Chengdu Pioneer	Chengdu, Sichuan, China	Chengdu, Sichuan, China	Sales	-	100%	Subsidiaries acquired by establishment
Nanning Pioneer	Nanning, Guangxi, China	Nanning, Guangxi, China	Sales	-	100%	Subsidiaries acquired by establishment

**VIII. INTERESTS IN OTHER ENTITIES - continued**

## 1. Structure of the Group - continued

Explanation in difference between holding interests and voting rights in subsidiaries:

- (a) Xinjiang Tianzhu was acquired by the Company, accounting for 60% of Xinjiang Tianzhu's equity interest. Through agreement arrangement, the Company has the full power to control Xinjiang Tianzhu's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2018.
- (b) Changyu Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.
- (c) Langfang Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 49% of Langfang Chateau's equity interest by the Company and subsidiaries. Through agreement arrangement, the Company has the full power to control Langfang Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.
- (d) Beijing Chateau is a limited liability company established by the Company and domestic investors, accounting for 70% of Beijing Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Beijing Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2019.
- (e) Ice Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 51% of Ice Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Ice Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2016.
- (f) AFIP Tourism is a limited liability company established by the Company and domestic investors, accounting for 70% of AFIP Tourism's equity interest. Through agreement arrangement, the Company has the full power to control AFIP Tourism's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2019.



**VIII. INTERESTS IN OTHER ENTITIES - continued****2. Non-wholly owned subsidiaries**

<u>Name</u>	<u>The non-controlling shareholder ratio</u>	<u>Balance of the interests of minority shareholders</u>
Xinjiang Tianzhu	40%	56,093,912
Changyu Chateau	30%	12,365,016
Langfang Castel	51%	22,702,522
Beijing Chateau	30%	35,293,868
Ice Chateau	49%	33,319,062
AFIP Tourism	30%	2,966,399

Explanation in difference between share percentage and voting power of non-controlling interests:  
Please see Note VIII -1.

**3. Key financial information of important non-wholly owned subsidiaries**

	Closing balance						Opening balance					
Name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	86,541,666	89,469,815	176,011,481	7,165,015	5,336,114	12,501,129	81,239,590	92,905,274	174,144,864	6,768,637	5,336,114	12,104,751
Changyu Chateau	56,430,830	113,883,719	170,314,549	88,220,921	-	88,220,921	96,487,353	103,678,442	200,165,795	119,959,582	-	119,959,582
Langfang Castel	29,986,460	24,229,921	54,216,381	7,753,321	-	7,753,321	33,029,246	25,777,415	58,806,661	11,835,706	-	11,835,706
Beijing Chateau	113,589,773	544,577,614	658,167,387	549,595,386	2,666,835	552,262,221	117,277,848	571,558,225	688,836,073	603,812,439	-	603,812,439
Ice Chateau	43,424,068	30,796,802	74,220,870	10,073,994	100,000	10,173,994	42,713,007	29,436,139	72,149,146	9,601,850	100,000	9,701,850
AFIP Tourism	22,013,654	1,138,756	23,152,410	4,847,671	-	4,847,671	25,794,776	690,766	26,485,542	9,644,326	-	9,644,326

	2014				2013			
Name	Operating income	Net profit (loss)	Total comprehensive income	Operating activities cash flows	Operating income	Net profit (loss)	Total comprehensive income	Operating activities cash flows
Xinjiang Tianzhu	86,483,652	1,470,239	1,470,239	(5,590,904)	65,260,973	778,119	778,119	(10,112,402)
Changyu Chateau	110,684,738	1,887,415	1,887,415	30,351,075	84,862,080	1,262,260	1,262,260	(9,076,400)
Langfang Castel	50,335,802	(507,895)	(507,895)	(2,788,417)	60,678,547	144,551	144,551	(6,676,277)
Beijing Chateau	160,547,230	20,881,532	20,881,532	29,246,144	80,532,065	(33,684,992)	(33,684,992)	(41,475,520)
Ice Chateau	51,973,176	1,599,580	1,599,580	(9,712,584)	24,802,111	(3,592,759)	(3,592,759)	3,251,612
AFIP Tourism	55,171,595	1,463,523	1,463,523	16,993,824	97,928,987	12,535,965	12,535,965	(30,901,914)

**IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT**

The Group's major financial instruments include cash and bank, notes receivable, accounts receivable, interest receivables, other receivables, other non-current assets, short-term borrowings, notes payables, accounts payable, other payables, interest payables, and long-term borrowings. Details of these financial instruments are disclosed in Note VI. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

**IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued****1. Risk management objectives and policies**

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operation performance, and maximise the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

**1.1 Market risk****1.1.1 Currency risk**

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with EUR and HKD. Several of the Group's subsidiaries have purchases and sales denominated in EUR and HKD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2014, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in EUR and HKD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank and cash	344,061	-
Long-term borrowings	209,380,000	-
Short-term borrowings	-	243,170,674
	<hr/>	<hr/>

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently does not take any measures to hedge currency risk exposures.

**IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued****1. Risk management objectives and policies - continued****1.1 Market risk - continued****1.1.1 Currency risk - continued**Sensitivity analysis on currency risk

Where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

		Current year		Prior year	
	<u>Change in exchange rate</u>	<u>Effect on profit</u>	<u>Effect on shareholders' equity</u>	<u>Effect on profit</u>	<u>Effect on shareholders' equity</u>
	RMB	RMB	RMB	RMB	RMB
HKD	5% increase against RMB	(5,995,640)	(5,995,640)	(12,158,534)	(12,158,534)
HKD	5% decrease against RMB	5,995,640	5,995,640	12,158,534	12,158,534
EUR	5% increase against RMB	(4,456,157)	(4,456,157)	-	-
EUR	5% decrease against RMB	4,456,157	4,456,157	-	-

**1.1.2 Interest rate risk - risk of changes in cash flows**

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (see NoteVI (1) and NoteVI (25) for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

The sensitivity analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments.

Management of the Group believes interest rate risk on bank deposit is not significant, therefore does not disclose sensitivity analysis for interest rate risk.

Where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity

		Current year		Prior year	
<u>Items</u>	<u>Change in interest rate</u>	<u>Effect on profit</u>	<u>Effect on owners' equity</u>	<u>Effect on profit</u>	<u>Effect on owners' equity</u>
Bank borrowings	50% increase	(1,044,435)	(1,044,435)	N/A	N/A
Bank borrowings	50% decrease	1,044,435	1,044,435	N/A	N/A

The Group has no floating-rate borrowings in 2013, and management of the Group considers the fluctuation in interest rates of bank balances and pledged deposits is insignificant. Therefore, no sensitivity analysis on interest rates for bank balances and pledged deposits is presented.

**IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued****1. Risk management objectives and policies - continued****1.2 Credit risk**

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties

In order to minimise the credit risk, the Group has adopted a policy to ensure that all sales customers have good credit records. the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2014, 33.6% of the Group trade receivables are due from top 5 customers (31 December 2013: 30.0%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

**Analysis of individually impaired financial assets**

As at 31 December 2014, the Group has provided full bad debts provision for the individually impaired account receivable due from Tiantong Security Co., Ltd., which has been in insolvency.

**1.3 Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

**Non-derivative financial liabilities**

	<u>Less than one month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
	RMB	RMB	RMB	RMB
Short-term borrowings	101,046,667	1,704,444	204,802,222	-
Notes payables	-	-	10,000,000	-
Account payables	357,811,822	-	-	-
Other payables	323,064,925	-	146,739,392	-
Interest payables	3,026,660	-	448,981	-
Long-term borrowings	509,814	1,002,634	4,673,295	216,691,479
	<u>785,459,888</u>	<u>2,707,078</u>	<u>366,663,890</u>	<u>216,691,479</u>

**IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued****1. Risk management objectives and policies - continued****1.4 Fair value disclosure - Financial assets and liabilities not measured using fair value**

As at 31 December 2014, management of the Group believes that book value of financial assets measured under amortised cost method is approximately equal to their fair value.

**X. RELATED PARTY AND RELATED PARTY TRANSACTIONS****1. Parent company**

<u>Name of parent company</u>	<u>Relation</u>	<u>Type of enterprise</u>	<u>Place of registration</u>	<u>Legal representative</u>	<u>Scope of business</u>	<u>Registered capital RMB</u>	<u>Percentage of shares %</u>	<u>Percentage of voting rights %</u>	<u>Incorporate Code</u>
Cotrolling Company		Limited Company	Yantai	SunLiqiang	Manufacturing	50,000,000	50.4	50.4	265645824

During the year ended 31 December 2014, there is no change in parent company's registered capital, shares holding or voting power.

**2. Subsidiaries: Please refer to Note V III.****3. Other related parties**

<u>Name of related parties</u>	<u>Nature of related parties</u>	<u>Incorporate code</u>
Yantai Changyu Wine Culture Museum Co., Ltd.("Wine Culture Museum")	Company controlled by the same parent	258258654
Yantai Changyu International Window of the Wine City Co., Ltd.("Window of the Wine City")	Company controlled by the same parent	672208146
Yantai ShenMa Packing Co., Ltd. ("ShenMa Packing")	Company controlled by the same parent	553393350
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.("Zhongya Pharmaceutical")	Company controlled by the same parent	726203923

**X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued**

## 4. Significant related party transactions

## (1) Purchases from and sales to related parties

Purchase from related parties

	<u>The content of related party transactions</u>	<u>2014</u> RMB	<u>2013</u> RMB
ShenMa Packing	product purchase	149,536,913	194,648,978
Zhongya Pharmaceutical	product purchase	5,205,207	7,960,294
Wine Culture Museum	product purchase	934,085	2,618,189
Window of the Wine City	product purchase	4,161,708	100,246
		<u>159,837,913</u>	<u>205,327,707</u>

All related party transactions are based on the negotiated price.

In 2014, purchases from related parties accounted for less than 11.8% of the Group's total purchase (2013: 11.9%)

Sales to related parties

	<u>The content of related party transactions</u>	<u>2014</u> RMB	<u>2013</u> RMB
Wine Culture Museum	goods sales	10,111,288	5,495,959
Window of the Wine City	goods sales	7,083,716	2,524,559
Zhongya Pharmaceutical	goods sales	2,596,070	1,890,313
ShenMa Packing	goods sales	1,684,486	1,492,538
		<u>21,475,560</u>	<u>11,403,369</u>

All related party transactions are based on the negotiated price.

In 2014, sales to related parties accounted for less than 1% of the Group's total sales (2013: less than 1%).

## (2) Property leased from a related party

## The Group as Lessee

<u>2014</u>	<u>Assets leased</u>	<u>Beginning date</u>	<u>Ending date</u>	<u>Rental expense</u>
Changyu Group Company	Warehouse and office building	2012/1/1	2016/12/31	<u>5,858,000</u>

Pursuant to the lease agreement entered into between the Company and Changyu Group Company on 1 January 2012, starting from 1 January 2012, the Company rented properties from Changyu Group Company for operation purposes at a basic annual rental of RMB5,858,000, and till 31 December 2016. For the year ended 31 December 2014, the rental payable to Changyu Group Company amounted to RMB5,858,000 (2013: RMB5,858,000).

**X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued**

## 4. Significant related party transactions - continued

## (3) Other significant related party transactions

	<u>Note</u>	<u>2014</u> RMB	<u>2013</u> RMB
Royalty fee	(a)	77,809,993	78,986,198
Patents fee	(b)	<u>50,000</u>	<u>50,000</u>

All related party transactions are based on the negotiated price.

## (a) Royalty fee

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Company may use certain trademarks of Changyu Group Company, which have been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Group's annual sales is payable to Changyu Group Company. The license is effective until the expiry of the registration of the trademarks.

During 2014, royalty fee paid to related company accounted for 100% of the Group (2013: 100%).

## (b) Patents fee

Pursuant to a patents implementation license dated 18 May 1997, starting from 18 September 1997, the Company may use the patents of Changyu Group Company. The annual patents usage fee payable by the Company to Changyu Group Company was RMB50,000. The contract was expired on 20 December 2005. The Company renewed the contract on 20 August 2006 for 10 years. The annual patents usage fee payable by the Company to Changyu Group Company remained RMB50,000. For the year ended 31 December 2014, the patents usage fee payable to Changyu Group Company amounted to RMB50,000 (2013: RMB50,000).

During 2014, patent fee paid to related company accounted for 100% of the Group (2013: 100%).

## (4) Remuneration of the management

	<u>2014</u> RMB	<u>2013</u> RMB
Remuneration of the management	<u>8,884,459</u>	<u>8,292,000</u>

**X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued**

## 5. Balance due from/ to related parties

## (1) Balance due from related parties

<u>Accounts receivable</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Balance</u>	<u>Provision</u>	<u>Balance</u>	<u>Provision</u>
	RMB	RMB	RMB	RMB
Zhongya Pharmaceutical	1,378,843		2,567,129	-
Shen Ma Packing.	15,820		911,197	-
Window of the Wine City	-		42,478	-
	<u>1,394,663</u>	<u></u>	<u>3,520,804</u>	<u>-</u>

The above amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment.

## (2) Balance due to related parties

	<u>Closing balance</u>	<u>Opening balance</u>
	RMB	RMB
Accounts payable		
Shen Ma Packing	53,027,076	46,370,178
Zhongya Pharmaceutical	6,550,051	4,520,101
Wine Culture Museum	1,043,208	177,526
Window of the Wine City	59,668	-
Total	<u>60,680,003</u>	<u>51,067,805</u>
Other payable		
Royalty fee payable to parent company	77,809,993	78,986,198
Shen Ma Packing	200,000	165,230
Zhongya Pharmaceutical	-	52,760
Total	<u>78,009,993</u>	<u>79,204,188</u>

The above amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.



**XI. COMMITMENT****1. Important commitments****(1) Capital commitments**

	<u>Closing balance</u> RMB'000	<u>Opening balance</u> RMB'000
Capital commitments	687,460	1,253,880

**(2) Operating lease commitment**As lessee

Significant operating lease: Total future minimal lease payments under non-cancelable contract with lessor are as follow:

	<u>Closing balance</u> RMB'000	<u>Opening balance</u> RMB'000
Within 1 year	25,505	23,612
1 to 2 years	10,271	11,208
2 to 3 years	7,252	9,726
3 years and above	21,262	28,390
	64,290	72,936

**2. Contingent liability**

The Group and the Company do not have any significant contingent liabilities as at balance sheet date.

**XII. POST BALANCE SHEET DATE EVENT**

According to the board of the directors resolution raised on 25 April 2015, the Company proposed a cash dividend of RMB 4.4 (tax inclusive) for every 10 shares in respect of 2014 based on the issued shares of 685,464,000. The aggregate amount of cash dividend is RMB 301,604,160. The resolution is to be approved by the annual general meeting.

**XIII. OTHER SIGNIFICANT EVENTS**Segment report

The Group is principally engaged in the production and sales of wine, brandy, and champagne. In accordance with the Group's internal organization structure, management requirements and internal reporting system, the Group's operation determines only one operation segment and reporting segment engaged in the production and sales within China. Therefore the Group does not need to disclose additional segment report information.

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS****1. Cash and bank**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash	5,847	12,479
Bank Balance	371,128,398	477,140,475
Other currency fund	125,004,018	125,291,289
Total	<u>496,138,263</u>	<u>602,444,243</u>

As at 31 December 2014, the balance of restricted cash of the Group is RMB2,643,519 (31 December 2013: RMB2,609,237), which is composed of the Group's housing fund.

As at 31 December 2014, other currency fund of the Company include: security of RMB 125,000,000 (at 31 December 2013: RMB 125,000,000) pledged for a long-term borrowing from HSBC of HKD 152,000,000 (equivalent to RMB 119,912,800), and company cards deposit guarantee of RMB 4,018 (at 31 December 2013: RMB 291,289).

As at 31 December 2014, The Group's term deposits with original maturity from three months to one year when acquired is RMB35,245,260 (31 December 2013: RMB277,392,728 ) with interest rates ranging from 3.25%-4.13% .

**2. Notes receivable****(1) Categories of notes receivable**

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	<u>98,158,251</u>	<u>32,594,381</u>

**(2) Pledged notes receivable**

As of 31 December 2014, there was no pledged notes receivable (31 December 2013: Nil).

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 2. Note receivable - continued

(3) Notes endorsed by the Group to other parties which are not yet due at the end of the period

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	52,895,804	16,727,830

As at 31 December 2014, notes endorsed by the Group to other parties which are not yet due at the end of the period is RMB 52,895,804 (31 December 2013: RMB 16,727,830). It is for the payment to suppliers. The Group believes that due to bank good reputation, the risk of maturity can not be cashed is very low, these notes receivable ownership of the risks and rewards have been transferred to the supplier, therefore confirm the termination of the endorsement note receivables. If bank is unable to settle the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

(4) Notes receivable were reclassified as accounts receivable due to the default of drawer

As of 31 December 2014, there was no notes receivable were reclassified as accounts receivable due to the default of drawer (31 December 2013: Nil).

## 3. Accounts receivable

(1) The aging analysis is as follows:

	<u>Closing balance</u>					<u>Opening balance</u>				
	<u>Balance</u>		<u>Bad debts provisions</u>		<u>Carrying Amount</u>	<u>Balance</u>		<u>Bad debts provisions</u>		<u>Carrying Amount</u>
	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Proportion</u> (%)		<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB
Accounts receivable that are individually not significant and for which bad debt provision has been assessed individually	1,516,518	100.0	-	-	1,516,518	1,600,968	100.0	-	-	1,600,968

The Company determines that trade receivable of more than RMB3,000,000 is considered as individually significant trade receivable.

The normal credit term of trade receivables is one month, which can be extended to one year for certain major customers. The trade receivables are interest free.

There was no individually significant and for which bad debt provision has been assessed individually account receivable.

The aging analysis is as follows:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	1,516,518	1,600,968

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued****3. Accounts receivable - continued****(2) Provision, reversals and collections during the current period:**

As at 31 December 2014, there was no provision provided for trade receivables (31 December 2013: Nil). The Company did not provide, reverse or write off any provision during 2014 (31 December 2013: Nil)

**(3) Top three entities with the largest balances of accounts receivable**

	<u>Relationship with the Group</u>	<u>Amount RMB</u>	<u>Aging</u>	<u>Proportion of total receivables %</u>
Yantai Huibao arts and crafts Manufacturing Co., Ltd.	Third party	1,052,828	Within 1 year	69.5
Zhongya Pharmaceutical	Other related parties	447,870	Within 1 year	29.5
ShenMa Packing	Other related parties	15,820	Within 1 year	1.0
		<u>1,516,518</u>		<u>100.0</u>

**4. Prepayments****(1) The aging analysis is as follows:**

	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Amount RMB</u>	<u>Proportion %</u>	<u>Amount RMB</u>	<u>Proportion %</u>
Within 1 year	<u>1,710,787</u>	<u>100.0</u>	<u>24,824,672</u>	<u>100.0</u>

**(2) Top five entities with the largest balances of prepayments**

	<u>Relationship with the Group</u>	<u>Amount RMB</u>	<u>Aging</u>	<u>Reason for being outstanding</u>	<u>Percentage of total advances to suppliers %</u>
Shandong Electric Power Group	Third party	677,389	Within 1 year	electric fee	39.6
Liu, Yuling	Third party	348,124	Within 1 year	goods not received	20.4
Yu, Zhihai	Third party	328,194	Within 1 year	goods not received	19.2
Rizhao Lingfei Packaging Co. Ltd.	Third party	94,484	Within 1 year	goods not received	5.5
Lin, Changxue	Third party	80,428	Within 1 year	goods not received	4.7
		<u>1,528,619</u>			<u>89.4</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 5. Interest receivable

## (1) Categories of interest receivable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Interests of term deposits	<u>3,580,811</u>	<u>8,417,995</u>

## (2) Overdue interest

As at 31 December 2014, there was no overdue interest receivable (31 December 2013: Nil).

## 6. Dividend receivables

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Within 1 year				
Including: Sales Company	738,981,500	1,013,615,384	(1,350,000,000)	402,596,884
Wines Sales	-	90,000,000	(90,000,000)	-
Huanren Wine	-	25,000,000	(25,000,000)	-
Langfang Sales	-	474,282	(474,282)	-
Jingyang Sales	-	35,000,000	(35,000,000)	-
Over 1 year				
Including: Pioneer International	13,614,384	-	(13,614,384)	-
Total	<u>752,595,884</u>	<u>1,164,089,666</u>	<u>(1,514,088,666)</u>	<u>402,596,884</u>

## 7. Other receivables

## (1) Disclosure of other receivables by categories:

	Closing balance					Opening balance				
	Balance		Bad debts provisions		Carrying Amount	Balance		Bad debts provisions		Carrying Amount
	Amount RMB	Proportion (%)	Amount RMB	Proportion (%)		Amount RMB	Proportion (%)	Amount RMB	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	4,701,016,368	99.7	(7,199,521)	0.2	4,693,816,847	3,683,374,031	99.1	(7,392,429)	0.2	3,675,981,602
Other receivables that are not individually significant and for which bad debt provision has been assessed individually	15,019,429	0.3	-	-	15,019,429	33,602,347	0.9	-	-	33,602,347
Total	4,716,035,797	100.0	(7,199,521)	0.2	4,708,836,276	3,716,976,378	100.0	(7,392,429)	0.2	3,709,583,949

The Company determines that other receivable of more than RMB3,000,000 is considered as individually significant other receivable.

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 7. Other receivables - continued

## (1) Disclosure of other receivables by categories: - continued

Other receivables that are individually significant and for which bad debt provision has been assessed individually:

As at 31 December 2014, other receivable that are individually significant at the end of the period but for which bad debt provision has been assessed individually:

	<u>Balance</u> RMB	<u>Bad debt</u> <u>provision</u> RMB	<u>Percentage</u> %	<u>Reason for provision</u>
Tiantong Security Co., Ltd.	<u>7,199,521</u>	<u>7,199,521</u>	100	The debtor is in the process of liquidation Unable to repay

As at 31 December 2013, other receivable that are individually significant at the end of the period but for which bad debt provision has been assessed individually:

	<u>Balance</u> RMB	<u>Bad debt</u> <u>provision</u> RMB	<u>Percentage</u> %	<u>Reason for provision</u>
Tiantong Security Co., Ltd	<u>7,392,429</u>	<u>7,392,429</u>	100	The debtor is in the process of liquidation Unable to repay

The aging analysis is as follows:

	<u>Closing balance</u>				<u>Opening balance</u>			
	<u>Balance</u>		<u>Bad debts</u> <u>provision</u>	<u>Carrying</u> <u>amount</u>	<u>Balance</u>		<u>Bad debts</u> <u>provision</u>	<u>Carrying</u> <u>amount</u>
	<u>Amount</u> RMB	<u>Proportion</u> %	<u>Amount</u> RMB	<u>Amount</u> RMB	<u>Amount</u> RMB	<u>Proportion</u> %	<u>Amount</u> RMB	<u>Amount</u> RMB
Within 1 year	4,708,620,670	99.8	-	4,708,620,670	3,709,472,668	99.8	-	3,709,472,668
1 to 2 years	215,606	0.0	-	215,606	111,281	-	-	111,281
2 to 3 years	-	-	-	-	-	-	-	-
Over 3 years	7,199,521	0.2	(7,199,521)	-	7,392,429	0.2	7,392,429	-
	<u>4,716,035,797</u>	<u>100.0</u>	<u>(7,199,521)</u>	<u>4,708,836,276</u>	<u>3,716,976,378</u>	<u>100.0</u>	<u>7,392,429</u>	<u>3,709,583,949</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 7. Other receivables - continued

## (2) Accrual, reversal and written-off during the current period:

	<u>Opening balance</u> RMB	<u>Accrued</u> RMB	<u>Reversed</u> RMB	<u>Written-off</u> RMB	<u>Closing balance</u> RMB
2014	<u>7,392,429</u>	<u>-</u>	<u>(192,908)</u>	<u>-</u>	<u>7,199,521</u>

No bad debt accrued in 2014, and bad debt reversed in 2014 is RMB 192,908.

<u>Cotent</u>	<u>Reasons for reversal or collections</u>	<u>Basis of determining the original bad debt provision</u>	<u>Accumulated bad debt provision prior to reversals or collections</u> RMB	<u>Amount of reversal or collections</u> RMB
Tiantong Security Co., Ltd.	Collected	Exceed credit period	<u>(7,392,429)</u>	<u>192,908</u>

## (3) Other receivable written off current year

No other receivable written off in 2014.

## (4) Disclosure of other receivables by nature

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Receivable from subsidiary	4,699,819,825	3,691,961,808
Consumption tax refund	1,924,913	1,880,028
Receivable deposit	-	1,661,969
Others	<u>7,091,538</u>	<u>14,080,144</u>
	<u>4,708,836,276</u>	<u>3,709,583,949</u>

## (5) Top five entities with the largest balances of other receivables

As at 31 December 2014, the particulars of top 5 other receivables are as follows:

	<u>Nature</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Proportion of total prepayments</u> %
Development Centre	Internal balance	884,290,206	Within 1 year	18.7
Changan Chateau	Internal balance	712,804,638	Within 1 year	15.1
Shihezi Chateau	Internal balance	611,720,867	Within 1 year	13.0
Beijing Chateau	Internal balance	533,229,933	Within 1 year	11.3
Ningxia Wine	Internal balance	<u>418,128,500</u>	Within 1 year	<u>8.9</u>
		<u>3,160,174,144</u>		<u>67.0</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued****8. Inventories**

	Closing balance			Opening balance		
	Balance RMB	Provision RMB	Net carrying amount RMB	Balance RMB	Provision RMB	Net carrying amount RMB
Raw material	8,061,194	-	8,061,194	5,328,866	-	5,328,866
Work in progress	605,911,810	-	605,911,810	685,390,264	-	685,390,264
Finished goods	67,723,770	-	67,723,770	90,565,059	-	90,565,059
	<u>681,696,774</u>	<u>-</u>	<u>681,696,774</u>	<u>781,284,189</u>	<u>-</u>	<u>781,284,189</u>

**9. Long-term equity investments**

2014	Cost RMB	Opening balance RMB	Movement for the year RMB	Closing balance RMB	Share holding %	Voting power %	Cash Dividends for the year RMB
Cost Method							
Xinjiang Tianzhu (a)	60,000,000	60,000,000	-	60,000,000	60	100	-
Kylin Packaging	23,176,063	23,176,063	-	23,176,063	100	100	-
Changyu Chateau (a)	28,968,100	28,968,100	-	28,968,100	70	100	-
AFIP Tourism (a)	350,000	350,000	-	350,000	70	100	-
Pioneer International (b)	3,500,000	3,500,000	-	3,500,000	70	100	-
Ningxia Growing	1,000,000	1,000,000	-	1,000,000	100	100	-
National Wines	2,000,000	2,000,000	-	2,000,000	100	100	-
Ice Chateau (a)	30,440,500	30,440,500	-	30,440,500	51	100	-
Beijing Chateau (a)	77,000,000	77,000,000	-	77,000,000	70	100	-
Sales Company	7,200,000	7,200,000	-	7,200,000	100	100	1,013,615,384
Langfang Sales (b)	100,000	100,000	-	100,000	10	100	474,282
Langfang Castel (a)	19,835,730	19,835,730	-	19,835,730	39	100	-
Wine Sales	4,500,000	4,500,000	-	4,500,000	90	100	90,000,000
Shanghai Sales(b)	300,000	300,000	-	300,000	30	100	-
Beijing Sales	850,000	850,000	-	850,000	100	100	-
Jingyang Sales (b)	100,000	100,000	-	100,000	10	100	35,000,000
Jingyang Wine (b)	900,000	900,000	-	900,000	90	100	-
Ningxia Wine	1,000,000	1,000,000	-	1,000,000	100	100	-
Ningxia Chateau	2,000,000	2,000,000	-	2,000,000	100	100	-
Dingluote Chateau	80,000,000	80,000,000	-	80,000,000	100	100	-
Shihezi Chateau	150,000,000	150,000,000	-	150,000,000	100	100	-
Changan Chateau	20,000,000	20,000,000	-	20,000,000	100	100	-
Development Centre	500,000,000	500,000,000	-	500,000,000	100	100	-
Huanren Wine	5,000,000	5,000,000	6,000,000	11,000,000	100	100	25,000,000
French Sales	29,988,530	29,988,530	(29,988,530)	-	-	-	-
Francis Champs							
Participations SAS	69,216,634	-	69,216,634	69,216,634	100	100	-
	<u>1,117,425,557</u>	<u>1,048,208,923</u>	<u>45,228,104</u>	<u>1,093,437,027</u>			<u>1,164,089,666</u>

- (a) The Company is entrusted to manage these non-wholly owned subsidiaries whereby the Group owned the entire operating results of these subsidiaries deducting fixed fees paid to the non-controlling interests' holders. Please refer to Note VIII (1) for details.
- (b) The Company has 100% voting power of those subsidiaries by the way of indirect controlling.

During 2014, there was no significant restriction on the remittance of fund from the investees to the Company.



**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 10. Fixed assets

## (1) Fixed assets

	<u>Buildings</u> RMB	<u>Machinery</u> RMB	<u>Motor vehicles</u> RMB	<u>Total</u> RMB
I. Total original carrying amount				
1. Opening balance	300,301,763	582,833,349	12,601,336	895,736,448
2. Increase				
Purchase	3,313,956	11,917,141	781,111	16,012,208
CIP transfer	275,102	56,214	-	331,316
3. Decrease				
Disposal	-	(2,332,423)	(279,850)	(2,612,273)
4. Closing balance	303,890,821	592,474,281	13,102,597	909,467,699
II. Total accumulated depreciation				
1. Opening balance	93,360,535	367,510,418	9,571,379	470,442,332
2. Increase				
Accrual	9,662,598	27,611,496	618,844	37,892,938
3. Decrease				
Disposal	-	(1,815,138)	(263,088)	(2,078,226)
4. Closing balance	103,023,133	393,306,776	9,927,135	506,257,044
III. Total net carrying amount				
1. Closing net carrying amount	200,867,688	199,167,505	3,175,462	403,210,655
2. Opening net carrying amount	206,941,228	215,322,931	3,029,957	425,294,116

As at 31 December 2014, there was no fixed assets with ownership restricted (31 December 2013: Nil).

As at 31 December 2014, the Group has no temporary idle fixed assets, fixed assets held for sale, fixed assets leased in under finance leases and fixed assets leased out under operating leases (2013: RMB: Nil).

## (2) Fixed assets of which certificates of title have not been obtained:

As at 31 December 2014, buildings without property certificate are as follows:

<u>Items</u>	<u>Amount</u> RMB	<u>Reasons why</u> <u>certificates of title have</u> <u>not been obtained</u>
Fermentation center office, experiment building and workshop	6,556,657	Processing

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 11. Construction in progress

## (1) Construction in progress

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
The Company's reconstruction project	182,765	269,802

## (2) Current year movement on important construction

	<u>Budget</u> RMB	<u>Opening balance</u> RMB	<u>Addition</u> RMB	<u>Transfer to PPE</u> RMB	<u>Closing balance</u> RMB	<u>Accumulated expenditure/budget</u> %	<u>The progress of construction</u>	<u>Financed by</u>
The Company's reconstruction project	201,440,000	269,802	244,279	(331,316)	182,765	91.0	91.0	Self-raised

There was no interest capitalized in construction in progress in 2014.

## (3) As at 31 December 2014, there was no provision was made for the construction in process.

## 12. Bearer biological asset

Biological asset measured at cost

	<u>Planting</u> RMB
I. Total original carrying amount	
1. Opening balance	67,302,314
2. Increase	
Self cultivated	28,460,486
3. Decrease	
Disposal	(5,093,268)
4. Closing balance	90,669,532
II. Total accumulated depreciation	
1. Opening balance	6,450,905
2. Increase	
Accrual	586,905
3. Closing balance	7,037,810
III. Total net carrying amount	
1. Closing net carrying amount	83,631,722
2. Opening net carrying amount	60,851,409

As at 31 December 2014, there is no biological asset with ownership restricted.

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued****12. Bearer biological asset - continued**

As at 31 December 2014, the Company's accumulated depreciation of biological assets is RMB 7,037,810 (2013: RMB 6,450,905).

As at 31 December 2014, biological assets of the Company include mature bearer biological assets of RMB 7,923,216 (2013: RMB 8,510,121) and immature bearer biological assets of RMB 75,708,506. (2013: RMB 52,341,288)

As at 31 December 2014, there is no indication that biological assets may be impaired, and no provision was made.

**13. Intangible assets**

## Intangible assets

	<u>Land use right</u> RMB	<u>Software use right</u> RMB	<u>Total</u> RMB
I. Total original carrying amount			
1. Opening and closing balance	<u>96,594,766</u>	<u>3,480,000</u>	<u>100,074,766</u>
II. Total accumulated depreciation			
1. Opening balance	17,454,935	3,480,000	20,934,935
2. Increase			
Accrual	<u>2,379,153</u>	<u>-</u>	<u>2,379,153</u>
3. Closing balance	<u>19,834,088</u>	<u>3,480,000</u>	<u>23,314,088</u>
III. Total net carrying amount			
1. Closing net carrying amount	<u>76,760,678</u>	<u>-</u>	<u>76,760,678</u>
2. Opening net carrying amount	<u>79,139,831</u>	<u>-</u>	<u>79,139,831</u>

As at 31 December 2014, there was no intangible asset with restricted ownership.

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued****14. Deferred tax assets and liabilities**

Deferred tax assets and deferred tax liabilities that are not presented at the net amount after offset

Recognised deferred tax assets not presented at the net amount after offset

Item	Closing balance		Opening balance	
	Deductible	Deferred	Deductible	Deferred
	<u>temporary difference</u>	<u>tax assets</u>	<u>temporary difference</u>	<u>tax assets</u>
	RMB	RMB	RMB	RMB
Unrealized profit from intra company transactions	9,000,404	2,250,101	7,795,104	1,948,776
Unpaid bonus	28,548,564	7,137,141	29,568,378	7,392,095
Retirement benefit	11,514,647	2,878,662	14,416,547	3,604,137
Asset impairment provision	17,199,521	4,299,880	17,392,429	4,348,107
Deductable losses	16,185,336	4,046,334	-	-
Deferred income	25,765,813	6,441,453	22,654,527	5,663,632
	<u>108,214,285</u>	<u>27,053,571</u>	<u>91,826,985</u>	<u>22,956,747</u>

**15. Trade payables**

The aging analysis is as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	RMB	RMB
Within 1 year	<u>228,052,722</u>	<u>166,453,563</u>

**16. Employee benefit****(1) Employee benefit**

	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>
	RMB	RMB	RMB	RMB
Short-term salaries and welfare	51,864,092	143,836,063	(136,981,551)	58,718,604
Post-demission benefits				
- predetermined provision plan	-	10,060,441	(10,060,441)	-
Termination benefit	<u>14,552,295</u>	<u>1,652,615</u>	<u>(4,690,263)</u>	<u>11,514,647</u>
	<u>66,416,387</u>	<u>155,549,119</u>	<u>(151,732,255)</u>	<u>70,233,251</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 16. Employee benefit - continued

## (2) Short-term salaries and welfare

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Salaries and bonus	49,583,695	127,184,205	(120,593,968)	56,173,932
Staff benefit	-	7,430,814	(7,427,314)	3,500
Staff welfare	-	4,318,828	(4,318,828)	-
Includes:				
Medical insurance	-	3,382,675	(3,382,675)	-
Injury insurance	-	490,366	(490,366)	-
Maternity insurance	-	445,787	(445,787)	-
Housing fund	-	3,584,493	(3,584,493)	-
Union fee and education fee	2,280,397	1,317,723	(1,056,948)	2,541,172
	<u>51,864,092</u>	<u>143,836,063</u>	<u>(136,981,551)</u>	<u>58,718,604</u>

## (3) Predetermined provision plan

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Pension	-	9,325,372	(9,325,372)	-
Unemployment insurance	-	735,069	(735,069)	-
	<u>-</u>	<u>10,060,441</u>	<u>(10,060,441)</u>	<u>-</u>

The Company participates in pension insurance and unemployment insurance plans established by government institution. According to those plans, the Company pays pension and unemployment insurance each month on the basis of 18% and 1% last period salary respectively. Apart from these monthly expenses, the Company does not bear any further payment obligation. This year the Company should pay RMB 9,325,372 and RMB 735,069 (In 2013: RMB 9,217,726 and RMB 682,538) respectively into pension insurance and unemployment insurance. At 31 December 2014, the Company does not have unpaid pension and unemployment insurance (At 31 December 2013: Nil) which is due to the pension insurance and unemployment insurance plan and not paid at the end of the reporting period.

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 17. Taxes payable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Value added tax	(7,183,464)	3,289,792
Consumption tax	12,157,986	19,900,332
Corporation income tax	3,034,692	3,348,032
Urban land use tax	837,367	421,924
Individual income tax	6,213,385	6,275,760
City construction tax	1,510,366	2,319,867
Property tax	355,417	127,674
Others	1,279,375	1,895,289
	<u>18,205,124</u>	<u>37,578,670</u>

## 18. Other payables

## (1) Natures of other payables are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Payable to subsidiaries	1,013,237,829	1,585,656,605
Payables for equipment and construction	7,437,012	14,058,146
Payables for transportation	306,238	971,220
Deposits from suppliers	436,271	277,430
Others	9,187,469	11,633,120
	<u>1,030,604,819</u>	<u>1,612,596,521</u>

(2) As at 31 December 2014, there were no significant outstanding balance aged over than one year.

## 19. Capital reserve

<u>2014</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Share premium	<u>557,222,454</u>	<u>-</u>	<u>-</u>	<u>557,222,454</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued****20. Revenue and cost of sales**

Revenue is as follows:

	<u>2014</u> RMB	<u>2013</u> RMB
Principal operating income	<u>1,647,825,652</u>	<u>1,730,694,774</u>

Cost of sales is as follows:

	<u>2014</u> RMB	<u>2013</u> RMB
Principal operating cost	<u>1,406,987,744</u>	<u>1,473,772,762</u>

**21. Tax and surcharges**

	<u>2014</u> RMB	<u>2013</u> RMB
Consumption tax	129,159,521	112,191,992
City construction tax	14,952,818	12,054,335
Education fee and surcharges	10,672,202	8,897,690
Others	<u>2,242,360</u>	<u>1,902,568</u>
	<u>157,026,901</u>	<u>135,046,585</u>

**22. General and administrative expense**

	<u>2014</u> RMB	<u>2013</u> RMB
Salary and employee benefit	31,119,420	26,777,563
Insurance fee	21,720,066	21,246,591
Leasing expenses	7,569,488	6,048,896
Depreciation	3,860,257	3,718,349
Amortization	2,917,149	2,373,076
Administrative expenses	8,748,731	8,489,998
Travelling expenses	2,704,509	4,127,300
Entertainment fee	278,344	288,524
Property tax, stamp duty and other taxes	5,331,881	3,942,998
Maintenance fee	9,685,094	10,416,751
Others	<u>18,116,606</u>	<u>22,234,906</u>
	<u>112,051,545</u>	<u>109,664,952</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 23. Loss on impairment of assets

	<u>2014</u> RMB	<u>2013</u> RMB
Impairment loss of available for sale assets	-	5,000,000
Reversal of impairment loss	(192,908)	(607,571)
	<u>(192,908)</u>	<u>4,392,429</u>

## 24. Financial Expense

	<u>2014</u> RMB	<u>2013</u> RMB
Interest income	(15,866,780)	(25,717,422)
Exchange earning	(6,093,361)	(4,055,987)
Less: Interest expenses	10,227,740	2,174,286
Bank charges	678,848	1,650,982
	<u>(11,053,553)</u>	<u>(25,948,141)</u>

## 25. Investment income

	<u>2014</u> RMB	<u>2013</u> RMB
Long-term equity investment income accounted for by using the cost method	<u>1,164,089,666</u>	<u>1,126,019,415</u>

Among the long-term equity investment income accounted for by using cost method, the investees with investment income accounting for more than 5% of the Company's total profit before tax are as follows:

<u>Investees</u>	<u>2014</u> RMB	<u>2013</u> RMB
Sales Company	1,013,615,384	970,000,000
Wine Sales	90,000,000	11,140,442
AFIP Tourism	-	68,000,000

As at 31 December 2014 and at 31 December 2013, there was no significant restriction on the remittance of investment income to the Company.



**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 26. Supplement to cash flow statement

	<u>2014</u> RMB	<u>2013</u> RMB
Cash flows from operating activities calculated by adjusting the net profit:		
Net profit	1,151,762,045	1,154,687,278
Add: Impairment/(reverse) provision	(192,908)	4,392,429
Depreciation of fixed assets	37,892,938	34,615,038
Amortization of intangible assets	2,379,153	2,373,077
Amortization of biological assets	586,905	586,905
Losses/(gains) on disposal of property, plant and equipment	5,076,491	662,192
Finance expenses	(11,684,489)	(29,773,409)
Investment income	(1,164,089,666)	(1,126,019,415)
Increase in deferred tax assets	(4,096,824)	(3,439,545)
Decrease/(increase) in inventories	99,587,415	112,158,569
Increase in trade receivables	(1,057,576,001)	(1,562,373,091)
Increase/(decrease) in trade payables	(525,631,084)	200,790,717
Net cash flows from operating activities	<u>(1,465,986,025)</u>	<u>(1,211,339,255)</u>

## 27. Cash and cash equivalents

	<u>2014</u> RMB	<u>2013</u> RMB
Closing balance of cash and bank	496,138,263	602,444,243
Less:		
Restricted bank deposits	2,643,519	2,609,237
Restricted other monetary assets	125,004,018	125,291,289
Deposit with a period of over three months	35,245,260	277,392,728
Closing balance of cash and cash equivalents	<u>333,245,466</u>	<u>197,150,989</u>

	<u>2014</u> RMB	<u>2013</u> RMB
Cash and bank	333,245,466	197,150,989
Including: Cash on hand	5,847	12,479
Bank deposits on demand	<u>333,239,619</u>	<u>197,138,510</u>
Closing balance of cash and cash equivalents	<u>333,245,466</u>	<u>197,150,989</u>

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 28. Related party transactions

## (1) Purchase of materials

	<u>2014</u> RMB	<u>2013</u> RMB
Subsidiaries	275,537,285	230,279,590
Other related parties	105,807,546	135,903,876
	<u>381,344,831</u>	<u>366,183,466</u>

## (2) Sales of goods

	<u>2014</u> RMB	<u>2013</u> RMB
Subsidiaries	1,640,615,167	1,723,774,566
Other related parties	7,210,485	6,920,208
	<u>1,647,825,652</u>	<u>1,730,694,774</u>

## 29. Receivables and payables to related parties

## (1) Trade receivables

<u>Trade receivables</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB
Other related parties	<u>463,690</u>	<u>-</u>	<u>1,600,968</u>	<u>-</u>
<u>Other receivables</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB
Subsidiaries	<u>4,699,819,825</u>	<u>-</u>	<u>3,691,961,808</u>	<u>-</u>

The above receivables due from related parties are unsecured, have no interest or fixed date of repayment.

**XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**

## 29. Receivables and payables to related parties - continued

## (2) Trade payables

<u>Trade Payables</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Subsidiaries	-	9,497,134
Other related parties	<u>29,592,060</u>	<u>33,518,567</u>
	<u>29,592,060</u>	<u>43,015,701</u>
 <u>Other payables</u>	 <u>Closing balance</u> RMB	 <u>Opening balance</u> RMB
Subsidiaries	1,013,237,829	1,585,656,605
Other related parties	<u>200,000</u>	<u>3,906</u>
	<u>1,013,437,829</u>	<u>1,585,660,511</u>

The above payables due to related parties are unsecured, have no interest or fixed date of repayment.

APPENDIX I SUPPLEMENTARY INFORMATION TO FINANCIAL  
STATEMENTS  
YEAR ENDED 31 DECEMBER 2014

**I. DETAILS OF EXTRAORDINARY PROFIT AND LOSS**

	2014 RMB
Loss on disposal of non-current assets, including reversal of accrued impairment provision	(5,086,545)
Tax rebate and reduction without formal approval documents	13,405,520
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the Group's operation, in line with related regulations and have proper basis of calculation)	27,140,194
Other non-operating income and expense	166,987
Reversal of bad debt provision of receivables tested individually	192,908
Corporate income tax effect	(8,302,732)
	<hr/> 27,516,332 <hr/>

The Company's extraordinary profit and loss items are recognized in accordance with the regulations of the "public offering of securities of the Company Disclosure Explanatory Notice No. 1 - non-recurring profit and losses" (SFC [2008] No. 43).

All non-operation income and non-operation expenses are non-operating profit in 2014. Please refer to Note VI-38 and VI-39.

**II. RETRUN ON EQUITY ("ROE") AND EARNINGS PRE SHARE ("EPS")**

The Company's ROE and EPS are calculated in accordance with the CSRC regulations of the "Information Preparing and Disclosure Rules of Public Company No. 9 - calculation and disclosure of ROE and EPS" (Revised 2010).

2014	Weighted average ROE %	Basic EPS RMB
Net profit attributable to shareholders of the Company	15.11	1.43
Net profit attributable to shareholders		

of the Company deducting extraordinary profit and loss	14.69	1.39
	_____	_____
	_____	_____

The Company did not have any potential dilutive shares.

<u>2013</u>	Weighted average <u>ROE</u> %	Basic EPS RMB
Net profit attributable to shareholders of the Company	16.45	1.53
Net profit attributable to shareholders of the Company deducting extraordinary profit and loss	16.78	1.48
	_____	_____
	_____	_____

The Company did not have any potential dilutive shares.

## **XII、 Reference Documents**

- (1)The original of Annual Report autographed by the chairman.
- (2)The Financial Statements autographed and signed by the chairman, chief accountant and accountants in charge.
- (3)The *Prospectus* and *Public Offering Announcement* for Stock B in 1997, the *Prospectus* and *The Shares' Change & Public Offering Announcement* for Stock A in 2000.
- (4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

**Yantai Changyu Pioneer Wine Co. Ltd.**

**Board of Directors**

**28<sup>th</sup> April 2015**