



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

## **2017 Semi-annual Report**

**Final 2017-03**

**August, 2017**

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## I. Important Notice, Contents and Definition

The Board of Directors, the Board of Supervisors, directors, supervisors & senior management staffs 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.

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.

Expect the following directors, other directors have personally attended the Board of Directors' meeting for deliberating this Semi-annual report.

Director name with non-present in person	Director post with non-present in person	Reason for non-present in person	Mandatory Name
Liu Yan	Independent director	Business trip	Luo Fei
Wei Anning	Director	Business trip	Qu Weimin

About significant risks that may be faced in production and operation process, please refer to "10. Risks the Company faces and measures" in chapter four "Management Discussion and Analysis" of this report. We advise investors to read carefully and pay attention to the investment risks.

The business plan and target in the report do not represent the earnings forecast of the listed company to 2017. Whether the Company could achieve that or not 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.

In the first half year, the Company has no plan to distribute cash dividends and bonus shares; capital reserve will not be transferred to equity.

## Definition

Definition Item	Refers to	Definition Content
Company/The Company/The Group	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

## II、Brief Introduction for the Company and Main Financial Indicators

### 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	-		
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		

### 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	quwm@changyu.com.cn	stock@changyu.com.cn

### 3. Other information

#### 1)、The Company's contact information

Whether there is any change for the Company's registered address, office address, post code, website and e-mail address during the report period.

☐ Available    ☒ Not available

There is no any change for the Company's office address, post code, website and e-mail address during the report period, please see 2016 annual report for more details.

#### 2)、Information disclosure and filling location

Whether there is any change for the information disclosure and filling location during the report period.

☐ Available    ☒ Not available

There is no any change for the newspapers in which the Company's information is disclosed, website assigned by CSRC to carry the semi-annual report and the filling location during the report period, please see 2016 annual report for more details.

#### 4. Key accounting data and financial indicators

Whether the Company makes retroactive adjustments or restates the accounting data of previous fiscal years.

☐ Yes ☒ No

	In the report period	In the same period of last year	More or less than last year (%)
Business revenue (CNY)	2,767,098,197	2,753,032,799	0.51%
Net profit attributed to the shareholders of the listed company (CNY)	670,069,054	695,021,847	-3.59%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	652,906,375	678,478,321	-3.77%
Net cash flows from the operating activities (CNY)	420,360,319	682,748,369	-38.43%
Basic earnings per share (CNY/share)	0.98	1.01	-2.97%
Diluted earnings per share (CNY/share)	0.98	1.01	-2.97%
Weighted average for earning rate of the net assets	7.84%	8.78%	-0.94%
	The end of the report period	The end of last year	More or less than last year (%)
Total assets (CNY)	12,273,978,471	11,528,077,971	6.47%
Net Assets attributed to the shareholders of the listed company (CNY)	8,880,538,852	8,209,010,989	8.18%

#### 5. 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

Unit: CNY

	Net profit belonged to shareholders of listed company		Net asset belonged to shareholders of listed company	
	Amount in current period	Amount in last period	Amount at the end of this period	Amount at the beginning of this period
Based on Chinese accounting standard	670,069,054	695,021,847	8,880,538,852	8,209,010,989
Items and amount adjusted based on international accounting standard				
Based on international accounting standard	670,069,054	695,021,847	8,880,538,852	8,209,010,989

**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)、Explanation of difference in accounting data based on Chinese and international accounting standards**

☐ Available    ☒ Not available

**6. Item and amount of irregular profit and loss**

☒ Available    ☐ Not available

Unit: CNY

Item	Amount	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	-495,071	
Tax return, deduction and exemption with unauthorized approval or no official document of approval	12,737,950	
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)	6,997,254	
Other non-operating expense and income	3,225,833	
Less: Income tax effect	5,303,287	
Total	17,162,679	-

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 Notice 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 Notice 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 Notice on Public Company's Information Disclosure No.1 - Irregular Profit and Loss* during the report period.



### III. Summary of the Company's Businesses

#### 1. Main businesses during the report period

Whether the Company needs to follow the disclosure requirement of special business?

No.

During the report period, the Company's main business is to produce and operate wine and brandy, thus providing the domestic and foreign consumers with healthy and fashionable alcoholic drinks. The Company integrates the planting and procurement of grape, the procurement of raw and auxiliary material, the production and sales of products. Compared with earlier stage, there are no significant changes happened to the Company's main businesses. The wine industry that the Company involved in is still in the growth stage, the whole domestic wine market is on the rising trend. The Company takes the dominant position in the domestic wine market. During the report period, the sales of wines with low price is slightly down; middle-and-high-level wines, such as Noble Dragon and chateau wine, remain stable; the sales amount of brandy and imported wines keeps the favorable growth momentum. All these make the Company's business performance basically equal compared with the same period of last year.

#### 2. Significant changes of main assets

##### 1)、Significant changes of main assets

Main assets	Explanation of significant changes
Equity asset	No significant changes
Fixed asset	No significant changes
Intangible asset	No significant changes
Construction in process	Increasing by 26.07% compared with the end of last year, mainly owing to increased investment in projects under construction
Notes receivable	Increasing by 79.98% compared with the end of last year, mainly owing to increased amount of bank acceptance through selling products to clients
Interest receivable	Increasing by 1424.5% compared with the end of last year, mainly owing to increased interest of fixed deposit
Other current assets	Increasing by 73.01% compared with the end of last year, mainly owing to increased tax prepaid
Other non-current assets	Increasing by 1832% compared with the end of last year, mainly owing that the settlement about the acquisition of Bethwines by the Company's subsidiary Indomita Wine Company Chile, SpA is not finished

##### 2)、Main overseas assets condition

☐ Available    ☒ Not available

### 3. Analysis of core competitiveness

Whether the Company needs to follow the disclosure requirement of special business?

No.

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”, “Noble Dragon” 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 Shanxi, 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, brandy and sparkling wine 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.

Sixthly, the Company has a relatively respect motivation system. Most of Company’s employees indirectly hold the Company’s equity through controlling shareholders. There are high consistency between employee benefits and shareholders benefits, in favor of motivating employees to create value for shareholders.

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.

## IV. Management Discussion and Analysis

### 1. Summarization

During the report period, influenced by the slowdown of domestic economic growth, the overall domestic wine industry is relatively stable. With the increased scale of domestic middle class, the effective demands for top-level products begin the slow recovery and the medium-and-low-level products suitable for mass consumption maintains a slight growth tendency. Influenced by the further decrease in product price resulting from the overwhelming flow of foreign wine into Chinese market, the competition in domestic wine market, especially for middle-and-low-level wines, is very fierce, plus the great impact brought by E-commerce and other new channels to traditional sales channels, resulting in bigger challenges for the Company to achieve sustained and steady 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 brandy and imported wine, optimize the market layout, perfect the marketing channels and assessment system, strive to promote product sales, achieving good results and realizing business income of CNY2767.09 million, an increase of 0.51% compared with last year; but due to the impact of increase in operating cost, taxes and additional, sales expense and administrative expense, the Company realized net profit of CNY670.06 million belonging to the parent company's shareholders, an decrease of 3.59% compared with last year.

During the report period, the Company mainly did following works:

Firstly, the Company focused on the market, strengthened the market adjustment and strived to promote the overall development of various products. During the report period, the Company insisted the strategy of "focusing on wine while fully developing various products", further perfected the construction of sales system and performance assessment method for marketing personnel, integrated the sales structure of regional market, such as southwest, northwest and some coastal cities and so on, as well as that of sub channels, implemented "personnel reduction with salary increase, personnel reduction with efficiency increase ", reorganized some exclusive shops, receiving favorable results; further perfect the team of key distributors and the team of professional sales personnel, consolidated the market position of middle-and-high-level products, such as chateau wine and Noble Dragon; quickened the layout of marketing network for brandy and reinforced the marketing of middle-level brandy, such as "Three Star", "Four Star" and "Five Star" and so on, further increasing the profitability of brandy products; continued doing well the marketing work of overseas acquired enterprise's products which behave well in international market and retain steady growth momentum in domestic market, providing new power for accelerating the Company's development.

Secondly, the Company strengthened the financial management and made efforts to achieve energy-saving and cost-reducing to further reduce the operating cost. During the report period, the Company scientifically made the programme for financing structure, strengthened the capital allocation and management and accelerated the capital flow, favorably squeezing the capital cost; reinforced the monitoring for key expenses, such as advertising expense, freight, big repair charge and grape planting expense, etc, and strengthened the profit assessment of self-owned grape bases, reducing the operating cost and improving the capital use efficiency.

Thirdly, the Company continued implementing internationalization strategy and orderly proceeded the overseas acquisition work. During the report period, the Company decided to establish Indomita Wine Company Chile, SpA which acted as the platform to acquire Chilean Bethwines's three subsidiaries with wine business, further perfecting the Company's productivity layout and product structure and improving the Company's market competition in imported products.

Fourthly, the Company intensified the project management to ensure that each construction project could be put into operation on schedule. During the report period, through reinforcing the project management, scientifically arranging schedule, strictly conforming to the budget requirement, making and implementing removal plan and doing well the connection between production and sales, the Company ensured that each construction project goes smoothly. At present, civil work of main invested projects have reached the ending phase and the production equipments are in the installation and commissioning phase.

In order to achieve the operation target set by the Company at the beginning of this year, the Company would do following work in the second half year of 2017:

Firstly, the Company would intensifying the brand construction and carding work, further clear brand positioning and optimize the product line. The Company would take thorough carding work to current brands and product lines, fully improve the packaging quality and level of products, further clear the market positioning of each brand and industriously compressing the quantity of categories in order for the Company to better carry out marketing work.

Secondly, the Company would continue paying attention to the construction of key distributor team and professional sales personnel team, conducting the tasting and promotion work of middle-and-high-level products, such as chateau wine, Noble Dragon, "Three Star" and above level brandy products, and striving to promote the sales of middle-and-high-level products; do the preparation work for the launch of new products, such as Koyac brandy, Chilean Indomita wines and small volume products, further perfect the product development and design of Grappie and put them on the market at the right time; continue promoting the sales work of acquired brands in domestic and foreign markets, such as Atrio, Mirefleurs, Donelli and Indomita and so on, further establish and perfect the domestic and foreign sales system, take full advantage of foreign sales network to enlarge the export scale of domestic wines; make the best of information technology, strengthen the ability to react to market conditions, change the production from plan-driven to order-driven, fully implement the strategy of utilizing the sales volume to decide the production, shorten the delivery time, strive to lower the inventory, reduce the fund occupation and increase the enterprise revenue; reinforce the training and reorganization work of marketing team, improve the assessment and incentive mechanism and further enhance the marketing capacity.

Thirdly, the Company would orderly proceed the construction of invested projects and focus on the connection between production and sales. The Company would manly focus on the ending work of main body's civil work in Yantai Changyu International Wine City (in other words Yantai Changyu Industry Park) as well as the equipment installation and commissioning work, weed out backward production capacity, achieve the seamless connection between old capacity and new capacity and timely satisfy the market needs.

Fourthly, the Company would optimize the layout of grape bases and comprehensively complete the procurement of grape materials. The Company would actively explore the new model of building overseas grape base, enlarge the area of overseas grape base, increase and improve the raw material supply channel, make effort to reduce raw material cost and improve raw material quality; keep optimizing the grape pricing mechanism, reasonably confirm grape procurement price and comprehensively complete the procurement work of raw material in order to ensure the material supply.

## 2. Analysis of main business

Refer to “1. Summarization” of “Management Discussion and Analysis

### Period comparison of main financial data

Unit: CNY

	In the report period	In the same period of last year	More or less (%)	Reason for changes
Operating revenue	2,767,098,197	2,753,032,799	0.51%	-
Operating cost	925,754,133	902,734,104	2.55%	-
Sales expense	668,735,726	650,737,234	2.77%	-
Management expense	130,542,386	122,695,845	6.40%	Mainly attributed to the increase of employee's compensation and depreciation expense on year-on-year basis
Financial expense	11,147,949	10,988,233	1.45%	Mainly attributed to the decrease of interest income from bank deposits on year-on-year basis
Income tax expense	228,752,790	238,715,481	-4.17%	Mainly attributed to the decreased of deferred income tax expenses on year-on-year basis
R&D investment	0	0	0%	-
Net amount of cash flow generated in operating activities	420,360,319	682,748,369	-38.43%	Mainly attributed to the increase of bill receivable from goods selling

Net amount of cash flow generated in investment activities	-797,540,941	-397,659,283	-100.56%	Mainly attributed to the increase of cash generated by building of fixed assets, intangible assets and other long-term assets as well as cash used for more than three months fixed deposit on year-on-year basis
Net amount of cash flow generated in financing activities	353,878,706	259,718,424	36.25%	Mainly attributed to the decrease of cash used for debt repayment on year-on-year basis
Net increased amount of cash and cash equivalents	-27,454,401	551,693,393	-104.98%	Mainly attributed to the decrease of cash received from goods selling and labor service providing on year-on-year basis but the increase of cash generated by building of fixed assets, intangible assets and other long-term assets on year-on-year basis

Whether there is any great change for the Company's profit structure or profit source during the report period

☐ Available    ☒ Not available

There is no great change for the Company's profit structure or profit source during the report period.

**Structure of main businesses**

Unit: CNY

	Operating revenue	Operating cost	Gross profit (%)	Increase or decrease of operating revenue over the same period of last year (%)	Increase or decrease of operating cost over the same period of last year (%)	Increase or decrease of gross profit over the same period of last year
<b>Sector</b>						
Wine and alcoholic beverages	2,767,098,197	925,754,133	66.54%	0.51%	2.55%	-0.67%
<b>Product</b>						
Wine	2,151,123,903	704,020,080	67.27%	-1.21%	0.10%	-0.43%
Brandy	575,324,933	200,170,322	65.21%	6.47%	9.13%	-0.85%
Other	40,649,361	21,563,731	46.95%	15.35%	34.88%	-7.68%
<b>Region</b>						
Domestic	2,629,066,639	841,890,209	67.98%	0.16%	3.88%	-1.14%
Overseas	138,031,558	83,863,924	39.24%	7.60%	-9.09%	11.16%

**3. Analysis to non-main business**
☐ Available    ☒ Not available

#### 4. Assets and liabilities situation

##### 1)、Major changes of assets

Unit: CNY

	The end of the report period		The end of the same period of last year		Proportion increase or decrease (%)	Explanation on major changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,550,067,781	12.63%	1,391,517,607	12.07%	0.56%	-
Receivables	167,152,509	1.36%	173,062,628	1.50%	-0.14%	-
Inventory	2,024,302,929	16.49%	2,248,609,740	19.51%	-3.02%	Mainly attributed to the decrease of amount of inventory goods selling
Investment real estate		0%		0%	0%	-
Long-term equity investments		0%		0%	0%	-
Fixed assets	4,591,037,486	37.40%	4,683,187,493	40.62%	-3.22%	Mainly attributed to the increase of accumulated depreciation
Construction in progress	1,697,297,440	13.83%	1,346,281,737	11.68%	2.15%	Mainly attributed to the increase of investment on the construction in progress
Short-term borrowings	846,881,075	6.90%	662,388,882	5.75%	1.15%	Mainly attributed to the increase of short term loans acquired from banks
Long-term borrowings	175,270,580	1.43%	49,140,555	0.43%	1%	Mainly attributed to the increase of long term loans acquired from banks

##### 2)、Measuring assets and liabilities at fair value



☐ Available ☒ Not available

### 3)、Assets rights restricted situation up to the end of report period

Assets rights restricted situation of the Company up to the end of report period, please refer to *Notice on External Guarantee* disclosed on the website (www.cninfo.com.cn) on December 22<sup>nd</sup>, 2016.

## 5. Investment situation analysis

### 1)、Overall situation

☐ Available ☒ Not available

### 2)、Situation of acquired main equity investments during the report period

☒ Available ☐ Not available

Unit: CNY

Name of the invested company	Main businesses	Investment mode	Investment amount	Shareholding ratio	Capital source	Partners	Investment horizon	Product type	Progress up to the balance sheet date	Estimated profit	Investment profit and loss for current period	Whether or not to prosecute	Disclosure date	Disclosure index
Indomita Wine Company Chile, SpA	Production and operation of wine and other alcoholic beverages	Newly established	280,502,100	85%	Self-owned	LAMBO SpA	50 years	Alcohol	Registration already completed, now taking settlement procedure	50,000,000.	0	No	May 26 <sup>th</sup> , 2017	<i>Notice on Establishing Joint-Venture Indomita Wine Company</i>

														Chile, SpA disclosed on the website (www.cninfo.com.cn)
Total	-	-	280,502,100	-	-	-	-	-	-	50,000,000.	0	-	-	-

### 3)、Situation of main ongoing non-equity investments during the report period

☒ Available    ☐ Not available

Unit: CNY

Project name	Investment mode	Whether it belongs to fixed assets investment	Involved sectors	Investment Amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Process of project	Estimated profit	Accumulated realized profit up to the end of the report period	Reasons for unreached planning schedule and estimated profit	Disclosure date	Disclosure index
Yantai Changyu International Wine City Blending and Cooling Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	172,000,000	1,195,130,000	Owned funds	98%		0	Not completed or put into operation	2016.04.22	Notice on Resolution of the Seventh Session Board of Directors' 4th Meeting disclosed on the website (www.
Yantai Changyu	Self-constructed	Yes	Liquor and alcoholic	103,000,000	879,690,000	Owned funds	98%		0	Not completed or put into operation	2016.04.22	

International Wine City Bottling Center			beverage sector									cninfo. com. cn)
Yantai Changyu International Wine City Logistics Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	4,700,000	403,592,000	Owned funds	100%		0	No direct earning	2016.04.22	
Changyu Vine and Wine Research Institute	Self-constructed	Yes	Liquor and alcoholic beverage sector	2,000,000	107,760,000	Owned funds	60%		0	Not completed or put into operation	2016.04.22	
Treasure Wine Chateau	Self-constructed	Yes	Liquor and alcoholic beverage sector	23,860,000	102,850,000	Owned funds	60%		0	Not completed or put into operation	2016.04.22	
Koyac Brandy Chateau	Self-constructed	Yes	Liquor and alcoholic beverage sector	32,240,000	144,168,000	Owned funds	60%		0	Not completed or put into operation	2016.04.22	
Greening Investment	Self-constructed	Yes	Liquor and alcoholic beverage sector	12,200,000	37,500,000	Owned funds	100%		0	No direct earning	2016.04.22	
Cognac Fransac chateau	Self-constructed	Yes	Liquor and alcoholic beverage	0	0	—	0%		0	Not completed or put into operation	2016.04.22	

renovation project			sector									
Total	—	—	—	350,000,000	2,870,690,000	—	—	0	0	--	--	--

#### 4)、Financial assets investment

##### (1) Security investment

☐ Available    ☒ Not available

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

##### (2) Derivative investment

☐ Available    ☒ Not available

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

#### 6. Sale of major assets and equities

##### 1)、Sale of major assets

☐ Available    ☒ Not available

There is no sale of major assets during the report period.

##### 2)、Sale of major equities

☐ Available    ☒ Not available

**7. Analysis to the major holding and joint stock companies**

☒ Available    ☐ Not available

Situation of main subsidiaries and joint stock companies affecting over 10% of the Company's net profit

Unit: CNY

Company name	Company type	Main business	Industry	Registered capital	Total asset	Net asset	Operation revenue	Operation profit	Net Profit
Xinjiang Tianzhu Winery Co., Ltd.	Subsidiary	To plant grape, produce and sell grape juice, bulk wine and fruit wine	Wine and alcoholic beverages industry	CNY75million	171,307,123	123,857,826	115,904,168	26,750,711	22,453,715
Yantai Changyu-Chateau Changyu Castel Wine Co. Ltd.	Subsidiary	To research, produce and sell wine and sparkling wine as well as the tourism service	Wine and alcoholic beverages industry	USD5million	246,486,329	79,644,461	20,668,538	1,138,003	-106,018
Langfang Castel-Changyu Wine Co. Ltd.	Joint stock company	To produce and sell wine	Wine and alcoholic beverages industry	USD6.108818million	45,760,868	36,337,841	23,732,778	207,784	161,088
Chateau Changyu AFIP Global Wine Co. Ltd.	Subsidiary	To research, produce and sell brandy and wine	Wine and alcoholic beverages industry	CNY110million	541,925,594	172,295,488	75,491,933	17,573,835	12,511,172
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	To produce ice wine	Wine and alcoholic beverages industry	CNY26.30million	79,162,817	49,835,838	16,724,881	-2,046,303	-2,063,324
Hacienda Y Vinedos Marques Del Atrio, SL	Subsidiary	To produce and operate o wine and other liquor	Wine and alcoholic beverages industry	EUR2.385732million	435,592,862	124,144,131	131,223,890	-2,216,518	-233,187

Acquisition and disposal of subsidiaries during the report period

☐ Available    ☒ Not available

Information of main holding and joint stock companies

During the report period, Yantai Changyu-Castel Wine Chateau Co. Ltd. and Chateau Liaoning Changyu Ice Wine Co., Ltd. produced losses, which mainly attributed to the decrease of sales revenue of Yantai Changyu Pioneer Wine Sales Limited Company and other internal sales

organisations from the two sales companies. Hacienda Y Vinedos Marques Del Atrio, SL produced losses, which mainly attributed to the amortization of premium from initial acquisition.

## 8. Main part situation of the special purpose being controlled by the Company

☐ Available      ☒ Not available

## 9. Forecast for the operation achievements from January to September of 2017

Caution and explanation for the prediction that the cumulative net profit from the beginning of the year to the end of next report period could be in a loss or there will be in a great change comparing with the same period of last year.

☐ Available      ☒ Not available

## 10. Risks the Company faces and measures

### (1) 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.

### (2) 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.

### (3) 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.

#### (4) 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.

## V. Major issues

### 1. 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	Meeting type	Participation ratio of investors	Convening date	Disclosure date	Disclosure Index
2016 Annual Shareholders' Meeting	Annual shareholders' meeting	61.86%	2017.06.15	2017.06.16	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> <i>Notice on Resolution of 2016 Annual Shareholders' Meeting</i>

#### 2)、Request for convening temporary shareholders' meeting by priority shareholders owing recovered voting right

☐ Available    ☒ Not available

### 2. The Company's preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve

☐ Available    ☒ Not available

There are no schemes of paying cash dividend, bonus share and increasing equity with capital during the semi-annual period.

### 3. Commitments that the Company's actual controllers, shareholders, related parties, acquirers and the Company and other related commitment parties have implemented during the report period and have not implemented up to the end of the report period

☒ Available    ☐ Not available

Commitments	Commitment party	Commitment type	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.	Solve horizontal competition	Non-horizontal competition	1997.05.18	Forever	Has been performing strictly
	Yantai Changyu Group Co. Ltd.	Clear the purpose of brand royalty	According to Trademark License Contract, 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.	1997.05.18	Forever	Has been performing strictly
Equity incentive commitments						
Commitments at middle and small shareholders of						

the Company						
Commitment under timely implementation or not	Yes					
Whether or not to have specific reasons of the unimplemented commitment and next steps	No					

#### 4. The appointment and dismissal of certified public accountants

Whether the semi-annual report has been audited

☐ Yes ☒ No

The semi-annual report has not been audited.

#### 5. Explanation from the board of directors for the “Non-standard Audit Report” of last year

☐ Available ☒ Not available

#### 6. Explanation from the board of directors for the “Non-standard Audit Report” of last year

☐ Available ☒ Not available

#### 7. Bankruptcy reorganization

☐ Available ☒ Not available

There are no related issues of bankruptcy reorganization happened during the report period and until the report period.

## 8. Litigation Issue

Material litigation and arbitration

☐ Available ☒ Not available

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

Other Litigation Issue

☐ Available ☒ Not available

## 9. Penalty and rectification

☐ Available ☒ Not available

There are no penalties or rectifications during the report period.

## 10. Credit of the Company, holding shareholders and actual controllers

☐ Available ☒ Not available

## 11. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

☐ Available ☒ Not available

There are no implementation of the Company's equity incentive plan, employee stock ownership plan and other employee incentive measures.

## 12. Significant related transactions

### 1)、 Related transactions in relation to routine operations

☐ Available ☒ Not available

There are no related transactions in relation to routine operations during the report period.

### 2)、 Related transactions in relation to acquisition and sales of assets or equity

☐ Available ☒ Not available

There are no related transactions in relation to acquisition or sales of assets or equity 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-operating related credit and debt

☐ Yes ☒ No

There are no non-operating related credit and debt during the report period.

#### 5)、 Other major related transactions

☒ Available ☐ Not available

Detailed information about routine related transactions, please refer to Notes XI "Related party and Related Transaction" in the Financial Statement of the report in detail, or could also look up the Company's related temporary announcement according to the following index.

Disclosure website of major related transactions' temporary reports for related query

Name of Temporary announcement	Disclosure date of temporary announcement	Website of disclosure of temporary announcement
Notice on 2017 Annual Routine Related Transaction	2017.04.22	Cninf (http://www.cninfo.com.cn)

### 13. 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.

### 14. Major and important contracts and execution results

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

##### (1) Trusteeship situation

☐ Available ☒ Not available

There is no trusteeship situation during the report period.

**(2) Contract situation**

☒ Available    ☐ Not available

## Contract situation description

During the report period, about the Company's contract operation situation, please see "1. Equity in the subsidiaries" in Annex 9 "Rights and interests of other subjects" 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.

**(3) Leasehold situation**

☒ Available    ☐ Not available

## Leasehold situation description

During the report period, 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 January 1<sup>st</sup>, 2016 to December 31<sup>st</sup>, 2021.

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)、Major guarantee**

☒ Available    ☐ Not available

**(1) Guarantee situation**

Unit: CNY'0000

External guarantee of the Company and its subsidiaries （excluding guarantee to subsidiaries）								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implement	Whether or not belong to related-party guarantee
Yantai Economic and Technological Development Zone Management Council.	2016.12.22	34,160	2016.12.21	34,160	Mortgage; Pledge	10 years	No	No
Total of the external guarantee quota approved during the report period (A1)		0		Total of the actual external guarantee amount during the report period (A2)		0		
Total of the external guarantee quota approved by the end of the report period (A3)		34,160		Balance of the actual external guarantee by the end of the report period (A4)		34,160		
Guarantee between the Company and subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implement	Whether or not belong to related-party guarantee
Yantai Changyu Pioneer Wine Sales Company Limited	2016.10.31	10,000	2016.11.05	10,000	Joint liability assurance	2years	No	Yes
Yantai Changyu Pioneer Wine Company Limited	2016.12.22	11,984	2016.12.21	11,984	Mortgage; Pledge	10years	No	Yes
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	10years	No	No

Total of the guarantee quota approved to subsidiaries during the report period (B1)		0		Total of the actual guarantee amount for subsidiaries during the report period (B2)		0		
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)		82,176		Balance of the actual guarantee for subsidiaries by the end of the report period (B4)		82,176		
Guarantee between subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implement	Whether or not belong to related-party guarantee
-	-	-	-	-	-	-	-	-
Total of the guarantee quota approved to subsidiaries during the report period (C1)		0		Total of the actual guarantee amount for subsidiaries during the report period (C2)		0		
Total of the guarantee quota approved to subsidiaries by the end of the report period (C3)		0		Balance of the actual guarantee for subsidiaries by the end of the report period (C4)		0		
Total of the Company’s guarantee amount （Total of above three major items）								
Total of the approved guarantee quota during the report period （A1+B1+C1）				0		Total of the actual guarantee amount during the report period （A2+B2+C2）		0
Total of the approved guarantee quota by the end of the report period （A3+B3+C3）				116,336		Balance of the actual guarantee by the end of the report period （A4+B4+C4）		116,336
The proportion of Actual total guarantee amount (A4+B4+C4) in the Company’s net asset					13.10%			
Among：								
The amount of guarantee for shareholders, actual controllers and their related parties （D）						0		
The amount of debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% directly or indirectly （E）						0		
Total amount of guarantee that exceeds 50% of net assets （F）						0		
Total amount of the above-mentioned three items （D+E+F）						0		
Explanation for undue guarantees that have happened warranty liability or may take joint payback liabilities during the report period						No		
Explanation for violating due process to provide external guarantee						No		

Specific explanation on adopting complex guarantee type

No

**(2) Illegal external guarantee**

☐ Available    ☒ Not available

There is no illegal guarantee situation during the report period.

**3)、Other important contracts**

☐ Available    ☒ Not available

There are no other important contracts during the report period.

**15. Situation for Social Responsibility****1)、Situation for carrying out social responsibility of precise poverty**

There is not carried out precise poverty, no-plan for Subsequent precise poverty during the Semi-annual report period.

**2)、Major environmental situation**

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

**16. Other Major issues**

☐ Available    ☒ Not available

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

**17. Major issues of Company's subsidiaries**

☒ Available    ☐ Not available



Information of newly established subsidiaries during this report period is as follows:

Full name of invested unit	Incorporation date and place	Corporate representative	Business Character	Registered capital	Contribution amount
Yantai Changyu Pioneer Wine Sales Company Limited	2017.01.18 Yantai, Shandong province, China	Wang Hongshan	Sales	CNY 5,000,000	CNY 5,000,000
Indomita Wine Company Chile, SpA	2017.04.06 Santiago, Chile	WILFRED CHARLES LEIGH NIELSEN	Manufacturing industry	USD 1,000,000	USD 40,110,000

## VI. Changes in Shares and the Shareholders' Situation

### 1. Changes in shares

#### 1)、Changes in shares

Unit: share

	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

☐ Available ☒ Not available

## 3. Situation for shareholders and the actual controllers

Unit: share

Total common shareholders at the end of report period		43,009 (23,475 of Stock A and 19,534 of Stock B)		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	Number of restricted shares	Number of unrestricted shares	Pledged or frozen Share status	Amount

				period	d shares			
YANTAI CHANGYU GROUP CO. LTD.	Domestic non-state-owned legal person	50.40%	345,473,856	0		345,473,856		
GAOLING FUND,L.P.	Foreign legal person	3.11%	21,300,919	0		21,300,919		
CHINA SECURITIES FINANCE CORP	State-owned legal person	2.32%	15,924,155	0		15,924,155		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826	0		15,241,826		
TIANAN PROPERTY INSURANCE CO., LTD—BAOYING NO.1	Domestic non-state-owned legal person	1.43%	9,774,689	1,835,523		9,774,689		
GUOTAI JUNAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	0.96%	6,582,957	1,261,479		6,582,957		
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.88%	6,000,851	3,700,858		6,000,851		
CENTRAL HUIJIN ASSET	State-owned legal person	0.69%	4,761,200	2,461,207		4,761,200		

MANAGEMENT LTD.								
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.55%	3,788,487	0		3,788,487		
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign legal person	0.55%	3,779,202	0		3,779,202		
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders(if have)(see note 3)		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.				21,300,919		B		21,300,919
CHINA SECURITIES FINANCE CORP				15,924,155		A		15,924,155
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD				15,241,826		B		15,241,826
TIANAN PROPERTY INSURANCE CO., LTD—BAOYING NO.1				9,774,689		A		9,774,689
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED				6,582,957		B		6,582,957
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND				6,000,851		B		6,000,851
CENTRAL HUIJIN ASSET MANAGEMENT LTD.				4,761,200		A		4,761,200

BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,788,487	B	3,788,487
FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B	3,779,202
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	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.		
Explanation for the top 10 shareholders who involved in financing activities and stock trading business (if have)(see note 4)	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.

#### 4. Changes of controlling shareholders or the actual controllers situation

Changes of the controlling shareholders during the report period

☐ Available ☒ Not available

There is no any change of the controlling shareholders during the report period.

Changes of the actual controllers during the report period

☐ Available ☒ Not available

There is no any change of the actual controllers 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 Staffs

### 1. Changes in shareholdings of directors, supervisors and senior management staffs

☐ Available    ☒ Not available

There are no any changes in shareholdings of directors, supervisors and senior management staffs during the report period, details see 2016 annual report

### 2. Personnel changes in Company's directors, supervisors and senior management

☒ Available    ☐ Not available

Name	Positions held	Type	Date	Reason
Dai Hui	Director	Leave after tenure	2017.06.15	-
Wei Anning	Director	Elected	2017.06.15	
Zhou Hongjiang	General manager	Appointed	2017.04.20	-
Leng Bin	Vice-general manager	Appointed	2017.04.20	
Qu Weimin	Vice-general manager	Leave after tenure	2017.04.20	-
Yang Ming	Vice-general manager	Appointed	2017.04.20	
Li Jiming	Chief engineer	Appointed	2017.04.20	
Jiang Hua	Vice-general manager	Appointed	2017.04.20	
Sun Jian	Vice-general manager	Appointed	2017.04.20	
Jiang Jianxun	Finance manager	Appointed	2017.04.20	-



## **IX. Related Situation of Corporation Bonds**

Whether or not the Company has the corporation bonds issued in public, listed in the stock exchange, not due on the Semi-annual report's authorized issue date or failed to pay in full on the due date.

No.

## X. Financial Report

### 1. Audit report

Whether the semiannual report has been audited

☐ Yes ☒ No

### 2. Financial statement

The unit in the statements of the financial annotations is RMB Yuan.

#### 2.1 Consolidated balance sheet

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary fund	7.1	1,550,067,781	1,391,517,607
Settlement reserves			
Lending funds			
Financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial assets			
Bills receivable	7.2	378,804,230	210,470,027
Accounts receivable	7.3	167,152,509	173,062,628
Advance payment	7.4	2,114,086	2,175,606
Premium receivable			
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Interest receivable	7.5	368,928	24,200
Dividends receivable			
Other receivables	7.6	16,311,182	18,880,800
Buying back the sale of financial assets			
Inventories	7.7	2,024,302,929	2,248,609,740
Assets classified as holding and available for sale	7.8	2,000,197	2,000,197
Non-current assets due within one year			
Other current assets	7.9	293,294,297	169,522,242
<b>Total current assets</b>		<b>4,434,416,139</b>	<b>4,216,263,047</b>
<b>Non-current assets:</b>			
Offering loans and imprest			
Available-for-sale financial assets	7.10	463,800	340,263
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment real estate			
Fixed assets	7.11	4,591,037,486	4,683,187,493
Construction in progress	7.12	1,697,297,440	1,346,281,737
Construction materials			

Item	Note	Ending balance	Beginning balance
Disposal of fixed assets			
Productive biological assets	7.13	198,024,312	201,428,980
Oil and gas assets			
Intangible assets	7.14	479,362,173	483,815,080
Development expenditure			
Goodwill	7.15	121,265,866	121,265,866
Long-term prepaid expenses	7.16	157,020,911	162,206,229
Deferred tax assets	7.17	259,844,790	295,937,037
Other non-current assets	7.18	335,245,554	17,352,239
Total non-current assets		7,839,562,332	7,311,814,924
<b>Total assets</b>		<b>12,273,978,471</b>	<b>11,528,077,971</b>
<b>Current liabilities:</b>			
Short-term loans	7.19	846,881,075	662,388,882
Borrowings from the Central Bank			
Customer and interbank deposits			
Borrowing funds			
Financial liabilities measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial liabilities			
Bills payable	7.20	8,000,000	38,900,000
Accounts payable	7.21	399,318,487	545,231,319
Advances from customers	7.22	321,530,693	425,246,421
Financial assets sold for repurchase			
Handling fees and commissions payable			
Employee remunerations	7.23	158,977,820	206,431,734
Taxes payable	7.24	77,113,119	144,042,600
Interest payable			563,613
Dividends payable	7.25	703,430	
Other payables	7.26	653,190,411	546,305,310
Dividend payable for reinsurance			
Reserves for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Liabilities classified as holding and available for sale			
Non-current liabilities due within one year	7.27	106,975,215	71,799,093
Other current liabilities	7.28	11,163,882	11,163,883
Total current liabilities		2,583,854,132	2,652,072,855
<b>Non-current liabilities:</b>			
Long-term borrowings	7.29	175,270,580	49,140,555
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term accounts payable	7.30	269,000,000	293,000,000
Long-term employee remunerations payable			
Special accounts payable			
Estimated liabilities			

Item	Note	Ending balance	Beginning balance
Deferred income	7.31	97,348,319	101,775,243
Deferred tax liabilities	7.17	21,852,738	24,908,410
Other non-current liabilities	7.32	7,696,222	7,696,222
Total non-current liabilities		571,167,859	476,520,430
<b>Total liabilities</b>		<b>3,155,021,991</b>	<b>3,128,593,285</b>
<b>Owner's equity:</b>			
Capital stock	7.33	685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital surplus	7.34	565,955,441	565,955,441
Minus: Treasury stock			
Other comprehensive income	7.35	-3,800,205	-5,259,014
Special reserves			
Surplus reserves	7.36	342,732,000	342,732,000
General risk preparation			
Retained earnings	7.37	7,290,187,616	6,620,118,562
Total owner's equities attributable to the parent company		8,880,538,852	8,209,010,989
Minority equity		238,417,628	190,473,697
Total owner's equities		9,118,956,480	8,399,484,686
Total liabilities and owner's equities		12,273,978,471	11,528,077,971

Legal Representative: Sun Liqiang    Accounting Supervisor: Leng Bin    Accounting Department Manager: Jiang Jianxun

## 2.2 Balance sheet of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary fund		747,876,320	269,460,060
Financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial assets			
Bills receivable		107,090,401	1,114,200
Accounts receivable	15.1	1,838,244	3,326,683
Advance payment		1,172,079	702,647
Interest receivable		34,313	24,200
Dividends receivable		324,673,936	531,819,113
Other receivables	15.2	3,539,710,433	3,582,532,862
Inventories		506,836,398	792,732,418
Assets classified as holding and available for sale		2,000,197	2,000,197
Non-current assets due within one year			
Other current assets		58,168,826	20,085,058
<b>Total current assets</b>		<b>5,289,401,147</b>	<b>5,203,797,438</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets			

Item	Note	Ending balance	Beginning balance
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	15.3	2,108,589,655	1,834,341,541
Investment real estate			
Fixed assets		335,000,273	347,481,417
Construction in progress		268,929	500,000
Construction materials			
Disposal of fixed assets			
Productive biological assets		121,231,009	123,036,693
Oil and gas assets			
Intangible assets		70,812,796	72,002,372
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		25,477,622	26,985,252
Other non-current assets		2,747,906,376	2,617,457,460
Total non-current assets		5,409,286,660	5,021,804,735
<b>Total assets</b>		<b>10,698,687,807</b>	<b>10,225,602,173</b>
<b>Current liabilities:</b>			
Short-term loans		700,000,000	500,000,000
Financial liabilities measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial liabilities			
Bills payable			
Accounts payable		61,360,245	247,568,857
Advances from customers		6,000,000	6,000,000
Employee remunerations		55,455,887	70,812,761
Taxes payable		14,378,705	33,266,225
Interest payable		0	563,613
Dividends payable		0	0
Other payables		813,653,329	368,310,362
Liabilities classified as holding and available for sale		0	0
Non-current liabilities due within one year		15,499,200	29,227,200
Other current liabilities		1,767,054	1,767,054
Total current liabilities		1,668,114,420	1,257,516,072
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term accounts payable			
Long-term employee remuneration payable			
Special accounts payable			
Estimated liabilities			
Deferred income		18,986,990	19,933,699
Deferred tax liabilities			

Item	Note	Ending balance	Beginning balance
Other non-current liabilities		2,499,403	2,499,403
Total non-current liabilities		21,486,393	22,433,102
<b>Total liabilities</b>		<b>1,689,600,813</b>	<b>1,279,949,174</b>
<b>Owner's equity:</b>			
Capital stock		685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital surplus		557,222,454	557,222,454
Minus: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		342,732,000	342,732,000
Retained earnings		7,423,668,540	7,360,234,545
Total owner's equities		9,009,086,994	8,945,652,999
Total liabilities and owner's equities		10,698,687,807	10,225,602,173

Legal Representative: Sun Liqiang    Accounting Supervisor: Leng Bin    Accounting Department Manager: Jiang Jianxun

## 2.3 Consolidated profit statement

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Total operating income</b>		<b>2,767,098,197</b>	<b>2,753,032,799</b>
Including: Operating income	7.38	2,767,098,197	2,753,032,799
Interest income			
Earned premium			
Handling fee and commission income			
<b>2. Total operating costs</b>		<b>1,890,800,616</b>	<b>1,840,237,208</b>
Including: Operating costs	7.38	925,754,133	902,734,104
Interest expenditure			
Handling fees and commission expenditure			
Premium rebate			
Net amount of indemnity expenditure			
Net amount of the withdrawn reserve fund for insurance contract			
Policy bonus payment			
Amortized reinsurance expenditures			
Taxes and surcharges	7.39	160,473,998	153,081,792
Selling expenses	7.40	668,735,726	650,737,234
Administrative expenses	7.41	130,542,386	122,695,845
Financial expenses	7.42	11,147,949	10,988,233
Loss on impairment of assets	7.43	-5,853,576	0
Plus: Fair value change profit (loss is listed with "-")			
Investment profit (loss is listed with "-")			
Including: Investment profit for joint-run business and joint			

venture			
Exchange income (loss is listed with "-")			
Other income			
<b>3. Operating profit</b> (loss is listed with "-")		876,297,581	912,795,591
Plus: Non-operating income	7.44	23,304,205	21,933,526
Including: Gains on disposal of non-current assets		156,600	94,567
Minus: Non-operating expenses	7.45	838,239	343,776
Including: Losses on disposal of non-current assets		651,671	110,052
<b>4. Total profits</b> (total loss is listed with "-")		898,763,547	934,385,341
Minus: Income tax expenses	7.46	228,752,790	238,715,481
<b>5. Net profit</b> (net loss is listed with "-")		670,010,757	695,669,860
Net profit attributable to owner of the parent company		670,069,054	695,021,847
Minority interest income		-58,297	648,013
<b>6. Net after-tax amount of other comprehensive income</b>	7.47	1,767,741	6,701,754
Net after-tax amount of other comprehensive income attributable to owner of the parent company		1,458,809	6,249,919
6.1 Other comprehensive income not to be reclassified into profit and loss later			
6.1.1 Net liabilities or net assets change after remeasuring and resetting the benefit plans			
6.1.2 Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law			
6.2 Other comprehensive income to be reclassified into profit and loss later		1,458,809	6,249,919
6.2.1 Share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law			
6.2.2 Profit and loss from changes in fair value of financial assets for sale			
6.2.3 Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale			
6.2.4 Effective part of profit and loss of cash-flow hedge			
6.2.5 Difference in translation of Foreign Currency Financial Statement		1,458,809	6,249,919
6.2.6 Other			
Net after-tax amount of other comprehensive income attributable to minority shareholders		308,932	451,835
<b>7. Total comprehensive income</b>		671,778,498	702,371,614
(1) Attributable to owner of the parent company		671,527,863	701,271,766
(2) Attributable to minority shareholders		250,635	1,099,848
<b>8. Earnings per share</b>			
(1) Basic earnings per share		0.98	1.01
(2) Diluted earnings per share		0.98	1.01

Legal Representative: Sun Liqiang    Accounting Supervisor: Leng Bin    Accounting Department Manager: Jiang Jianxun

## 2.4 Profit statement of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Operating income</b>	15.4	831,820,503	655,299,000
Minus: Operating costs	15.4	737,950,378	501,312,599

Taxes and surcharges		48,865,790	73,401,856
Selling expenses			
Administrative expenses		40,078,068	55,027,172
Financial expenses		9,292,969	18,250,416
Loss on impairment of assets			
Plus: Fair value change profit (loss is listed with "-")			
Investment profit (loss is listed with "-")	15.5	66,127,980	683,891,453
Including: Investment profit for joint-run business and joint venture			
Other income			
<b>2. Operating profit</b> (loss is listed with "-")		61,761,278	691,198,410
Plus: Non-operating income		1,134,756	1,141,128
Including: Gains on disposal of non-current assets		133,233	94,567
Minus: Non-operating expenses		143,042	36,839
Including: losses on disposal of non-current assets		122,785	21,839
<b>3. Total profits</b> (total loss is listed with "-")		62,752,992	692,302,699
Minus: Income tax expenses		-681,003	2,102,811
<b>4. Net profit</b> (net loss is listed with "-")		63,433,995	690,199,888
<b>5. Net after-tax amount of other comprehensive income</b>			
5.1 Other comprehensive income not to be reclassified into profit and loss later			
5.1.1 Net liabilities or net assets change after remeasuring and resetting the benefit plans			
5.1.2 Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law			
5.2 Other comprehensive income to be reclassified into profit and loss later			
5.2.1 Share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law			
5.2.2 Profit and loss from changes in fair value of financial assets for sale			
5.2.3 Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale			
5.2.4 Effective part of profit and loss of cash-flow hedge			
5.2.5 Difference in translation of Foreign Currency Financial Statement			
5.2.6 Other			
<b>6. Total comprehensive income</b>		63,433,995	690,199,888
<b>7. Earnings per share</b>			
(1) Basic earnings per share		0.09	1.01
(2) Diluted earnings per share		0.09	1.01

Legal Representative: Sun Liqiang    Accounting Supervisor: Leng Bin    Accounting Department Manager: Jiang Jianxun

## 2.5 Consolidated cash flow statement

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Sum of current period	Sum of prior period
<b>1. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	2,524,565,138	2,706,821,883



Item	Sum of current period	Sum of prior period
Net increase in customer and interbank deposits		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from receiving insurance premium of original insurance contract		
Net cash received from reinsurance business		
Net increase in policy holder deposits and investment funds		
Net increase after disposal of financial assets measured at the fair value and the variation of which is recorded into the current profit and loss		
Cash received from collecting interest, handling fees and commission		
Net increase in borrowings		
Net increase in repurchase business funds		
Tax refund received	12,777,072	13,866,472
Other cash received related to operating activities	38,889,912	27,834,008
<b>Subtotal of cash flows of operating activities</b>	<b>2,576,232,122</b>	<b>2,748,522,363</b>
Cash paid for goods and services	640,732,974	635,982,569
Net increase in customer loans and advances		
Net increase in deposits in central bank and interbank deposits		
Cash paid to original insurance contract payments		
Cash paid to interest, handling fees and commission		
Cash paid to policy bonus		
Cash paid to and on behalf of employees	239,805,346	230,296,149
Cash paid for taxes and expenses	842,815,705	756,992,525
Other cash paid related to operating activities	432,517,778	442,502,751
<b>Sub-total of cash outflows of operating activities</b>	<b>2,155,871,803</b>	<b>2,065,773,994</b>
<b>Net cash flow from operating activities</b>	<b>420,360,319</b>	<b>682,748,369</b>
<b>2. Cash flow from investing activities:</b>		
Cash received from return of investment		
Fixed deposit with the term of over 3 months	3,000,000	8,000,000
Cash received from obtaining investment profit	25,550	28,483
Cash received from disposal of fixed assets, intangible assets and other long-term assets	237,161	233,355
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
<b>Subtotal of cash flows of investment activities</b>	<b>3,262,711</b>	<b>8,261,838</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	282,149,010	398,151,685
Cash for investment		
Cash paid to buy fixed deposit with the term of over 3 months	201,000,000	7,007,000
Net increase in hypothecated loan		
Net cash paid to acquire branch and other business unit		762,436
Other cash paid related to investment activities	317,654,642	
<b>Subtotal of cash outflows of investment activities</b>	<b>800,803,652</b>	<b>405,921,121</b>
<b>Net cash flow from investing activities</b>	<b>-797,540,941</b>	<b>-397,659,283</b>
<b>3. Cash flow from financing activities</b>		
Cash received from acquiring investment	48,396,726	

Item	Sum of current period	Sum of prior period
Including: cash received from acquiring minority shareholders investment by branch	48,396,726	
Cash received from acquiring loans	773,435,000	809,175,350
Cash received from issuing bonds		
Other cash received related to financing activities	1,303,473	
<b>Subtotal cash flows of financing activities</b>	<b>823,135,199</b>	<b>809,175,350</b>
Cash paid to pay debts	451,386,980	512,516,014
Cash paid to distribute dividend, profit or pay interest	17,869,513	16,940,912
Including: dividend and profit paid to minority shareholders by branch		
Other cash paid related to financing activities		20,000,000
<b>Subtotal of cash outflows of financing activities</b>	<b>469,256,493</b>	<b>549,456,926</b>
Net cash flow from financing activities	353,878,706	259,718,424
<b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>	<b>-4,152,485</b>	<b>6,885,883</b>
<b>5. Net Increase in cash and cash equivalents</b>	<b>-27,454,401</b>	<b>551,693,393</b>
Plus: balance at the beginning of the period of cash and cash equivalents	1,256,942,304	1,092,241,661
<b>6. Balance at the end of the period of cash and cash equivalents</b>	<b>1,229,487,903</b>	<b>1,643,935,054</b>

Legal Representative: Sun Liqiang    Accounting Supervisor: Leng Bin    Accounting Department Manager: Jiang Jianxun

## 2.6 Cash flow statement of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Sum of current period	Sum of prior period
<b>1. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	570,587,513	595,186,103
Tax refund received		
Other cash received related to operating activities	385,490,644	239,938
<b>Subtotal of cash flows of operating activities</b>	<b>956,078,157</b>	<b>595,426,041</b>
Cash paid for goods and services	269,148,068	324,226,720
Cash paid to and on behalf of employees	52,895,854	79,790,054
Cash paid for taxes and expenses	169,319,730	88,941,454
Other cash paid related to operating activities	62,494,076	846,691,535
<b>Sub-total of cash outflows of operating activities</b>	<b>553,857,728</b>	<b>1,339,649,763</b>
<b>Net cash flow from operating activities</b>	<b>402,220,429</b>	<b>-744,223,722</b>
<b>2. Cash flow from investing activities:</b>		
Cash received from return of investment		
Fixed deposit with the term of over 3 months	3,000,000	8,000,000
Cash received from obtaining investment profit	198,082,845	1,164,454,077
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	206,280	231,240
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
<b>Subtotal of cash flows of investment activities</b>	<b>201,289,125</b>	<b>1,172,685,317</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	3,295,270	15,892,483

Item	Sum of current period	Sum of prior period
Cash for investment	329,440,824	
Cash paid to buy fixed deposit with the term of over 3 months	105,000,000	7,007,000
Net cash paid to acquire branch and other business unit		
Other cash paid related to investment activities		
<b>Subtotal of cash outflows of investment activities</b>	437,736,094	22,899,483
<b>Net cash flow from investing activities</b>	-236,446,969	1,149,785,834
<b>3. Cash flow from financing activities</b>		
Cash received from acquiring investment		
Cash received from acquiring loans	700,000,000	400,000,000
Cash received from issuing bonds		
Other cash received related to financing activities		
<b>Subtotal cash flows of financing activities</b>	700,000,000	400,000,000
Cash paid to pay debts	514,667,600	420,114,492
Cash paid to distribute dividend, profit or pay interest	9,720,581	13,936,049
Other cash paid related to financing activities		
<b>Subtotal of cash outflows of financing activities</b>	524,388,181	434,050,541
Net cash flow from financing activities	175,611,819	-34,050,541
<b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>		
<b>5. Net Increase in cash and cash equivalents</b>	341,385,279	371,511,571
Plus: balance at the beginning of the period of cash and cash equivalents	238,003,198	143,798,080
<b>6. Balance at the end of the period of cash and cash equivalents</b>	579,388,477	515,309,651

Legal Representative: Sun Liqiang    Accounting Supervisor: Leng Bin    Accounting Department Manager: Jiang Jianxun

## 2.7 Consolidated owner's equity changing list

Unit: Yuan

Item	This period												
	Owners' equity of the parent company											Minority shareholders' equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Perpetual capital securities	Other									
1. Balance at the end of last year	685,464,000				565,955,441		-5,259,014		342,732,000		6,620,118,562	190,473,697	8,399,484,686
Plus: Accounting policies changing													
Previous error correction													
Business combination under common control													
Other													
2. Balance at the beginning of this year	685,464,000				565,955,441		-5,259,014		342,732,000		6,620,118,562	190,473,697	8,399,484,686
3. Increased or decreased amount in this period (reducing amount is listed with "-")							1,458,809				670,069,054	47,943,931	719,471,794
3.1 Total comprehensive income							1,458,809				670,069,054	250,635	671,778,498
3.2 Owners' invested and reduced capital												48,396,726	48,396,726
3.2.1 Shareholders' invested common stock												48,396,726	48,396,726
3.2.2 Other equity instrument holders' invested capital													
3.2.3 Amount of shares paid and reckoned in owners' equity													

3.2.4 Other													
3.3 Profit distribution												-703,430	-703,430
3.3.1 Accrued surplus reserves													
3.3.2 Accrued general risk preparation													
3.3.3 Distribution to owners (or shareholders)												-703,430	-703,430
3.3.4 Other													
3.4 Internal transfer of owners' equity													
3.4.1 Capital reserves transferred and increased capital (or capital stock)													
3.4.2 Surplus reserves transferred and increased capital (or capital stock)													
3.4.3 Surplus reserves covering deficit													
3.4.4 Other													
3.5 Special reserves													
3.5.1 Withdrawal in this period													
3.5.2 Usage in this period													
3.6 Other													
4. Balance at the end of this period	685,464,000				565,955,441		-3,800,205		342,732,000		7,290,187,616	238,417,628	9,118,956,480

Unit: Yuan

Item	Prior period												
	Owners' equity of the parent company											Minority shareholders' equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Perpetual capital securities	Other									
1. Balance at the end of last year	685,464,000				565,955,441		-10,442,512		342,732,000		5,980,390,074	192,459,023	7,756,558,026
Plus: Accounting policies changing													
Previous error correction													
Business combination under common control													
Other													
2. Balance at the beginning of this year	685,464,000				565,955,441		-10,442,512		342,732,000		5,980,390,074	192,459,023	7,756,558,026
3. Increased or decreased amount in this period (reducing amount is listed with "-")							5,183,498				639,728,488	-1,985,326	642,926,660
3.1 Total comprehensive income							5,183,498				982,460,488	-1,438,903	986,205,083
3.2 Owners' invested and reduced capital													
3.2.1 Shareholders' invested common stock													
3.2.2 Other equity instrument holders' invested capital													
3.2.3 Amount of shares paid and reckoned in owners' equity													
3.2.4 Other													

3.3 Profit distribution											-342,732,000	-546,423	-343,278,423
3.3.1 Drew surplus reserves													
3.3.2 Drew general risk preparation													
3.3.3 Distribution to owners (or shareholders)											-342,732,000	-546,423	-343,278,423
3.3.4 Other													
3.4 Internal transfer of owners' equity													
3.4.1 Capital reserves transferred and increased capital (or capital stock)													
3.4.2 Surplus reserves transferred and increased capital (or capital stock)													
3.4.3 Surplus reserves covering deficit													
3.4.4 Other													
3.5 Special reserves													
3.5.1 Accrual in this period													
3.5.2 Usage in this period													
3.6 Other													
4. Balance at the end of this period	685,464,000				565,955,441		-5,259,014		342,732,000		6,620,118,562	190,473,697	8,399,484,686

## 2.8 Owner's equity changing list of the parent company

Unit: Yuan

Item	This period										
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	7,360,234,545	8,945,652,999
Plus: Accounting policies changing											
Previous error correction											
Other											
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	7,360,234,545	8,945,652,999
3. Increased or decreased amount in this period (reducing amount is listed with "-")										63,433,995	63,433,995
3.1 Total comprehensive income										63,433,995	63,433,995
3.2 Owners' invested and reduced capital											
3.2.1 Shareholders' invested common stock											
3.2.2 Other equity instrument holder' invested capital											
3.2.3 Amount of shares paid and reckoned in owners' equity											
3.2.4 Other											
3.3 Profit distribution											
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)											
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and											



increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	7,423,668,540	9,009,086,994

Unit: Yuan

Item	Prior period										
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	5,872,392,075	7,457,810,529
Plus: Accounting policies changing											
Previous error correction											
Other											
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	5,872,392,075	7,457,810,529
3. Increased or decreased amount in this period (reducing amount is listed with "-")										1,487,842,470	1,487,842,470
3.1 Total comprehensive income										1,830,574,470	1,830,574,470
3.2 Owners' invested and reduced capital											
3.2.1 Shareholders' invested common stock											
3.2.2 Other equity instrument holder' invested capital											

3.2.3 Amount of shares paid and reckoned in owners' equity											
3.2.4 Other											
3.3 Profit distribution										-342,732,000	-342,732,000
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)										-342,732,000	-342,732,000
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	7,360,234,545	8,945,652,999

### 3. Company profile

Yantai Changyu Pioneer Wine Co., Ltd. (the “Company” or the “Joint-stock 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 the merger and reorganization carried out by Yantai Changyu Group Co., Ltd. (“Changyu Group Company”) with its assets and liabilities in relation to wine business. The Company and its subsidiary companies (hereinafter collectively referred to as the “Group”) are engaged in the production and sale of wine, brandy and champagne, planting and purchase of grapes, development of tourism resources, etc. The registered address of the Company is Yantai City, Shandong Province, and the office address of the headquarters is 56 Dama Road, Zhifu District, Yantai City, Shandong Province.

As at June 30, 2017, the Company issued 685,464,000 shares accumulatively. Refer to Note 7.33 for the details.

The parent company of the Group is Changyu Group Company incorporated in China, which was ultimately and actually controlled by four parties, including Yantai Guofeng Investment Holding Co., Ltd., ILLVA Saronno Holding Spa, International Finance Corporation and Yantai Yuhua Investment & Development Co., Ltd.

The financial statement and the consolidated financial statement of the Company were approved by the Board of Directors on August 25, 2017.

The scope of the consolidated financial statement in this period can be seen in Note 9 “Equity in other entities”. The scope changes of the consolidated financial statement in this period can be seen in Note 8 “Changes of the consolidated scope”.

### 4. Preparation basis of financial statement

#### 4.1 Preparation basis

The Group implements the Accounting Standards for Business Enterprises (including the new and revised editions published in 2014) (“ASBE”) published by the Ministry of Finance and relevant regulations thereof. In addition, the Group also discloses relevant financial information in accordance with *Information Disclosure and Preparation Rules for Enterprises Publicly Issuing Securities No.15 ---- General Rules for Financial Statement (Revised in 2014)*.

#### **Note-accounting basis and pricing principle**

The note-accounting basis of financial accounting adopted by the Group is accrual system and the measurement basis adopted by the Group in preparing its financial statement is historical cost. Subsequently, if the assets are impaired, impairment provisions are made in accordance with relevant accounting standards.

When the historical cost measurement is used, the assets are measured by the amount of cash or cash equivalent when the assets are purchased or the fair value of the consideration. The liabilities are measured by the actually received funds or assets for performing the current obligations, or the contract amount for performing the current obligations, or the amount of cash or cash equivalent paid for anticipated liabilities in the daily activities.

Fair value refers to a price received for selling an asset or paid for transferring a liability by the market participant in orderly transactions on the measurement date. No matter the fair value is observable or estimated by the valuation technique, the fair value measured and disclosed in this financial statement is recognized on this basis.

The fair value measurement is divided into three levels based on the observable degree of the input fair value and the importance of this input value on the whole fair value measurement:

\*The input value of the first level is the unadjusted price of the same assets or liabilities which can be acquired in an active market on the measurement date.

\*The input value of the second level is the directly or indirectly observable input value of relevant assets or liabilities except that of the first level.

\*The input value of the third level is the unobservable input value of relevant assets or liabilities.

## **4.2 Continuous operation**

The Group has appraised the ability of continuous operation for 12 months from June 30, 2017, and no issues or situations causing major doubts to this ability are found. Therefore, this financial statement is prepared on the basis of the continuous operation assumption.

# **5. Main accounting policies and accounting estimates**

## **5.1 Statement on compliance with ASBE**

This financial statement fulfills the requirement of ASBE and gives a true and integrated view of the financial status and the consolidated financial status as at June 30, 2017, as well as the operating result, the consolidated operating result, the cash flow and the consolidated cash flow of the Company from January to June 2017.

## **5.2 Accounting period**

The accounting period of the Group is from January 1 to December 31.

## **5.3 Operating cycle**

The operating cycle refers to the period from the enterprise purchases the assets used for processing to the cash or cash equivalent is realized. The operating cycle of the Company is 12 months.

## **5.4 Recording currency**

Since Renminbi (RMB) is the currency of the main economic environment in which the Company and the domestic subsidiary companies thereof are situated, the Company and the subsidiary companies thereof adopt RMB as the recording currency. The overseas subsidiary companies thereof determine Euro and Peso as the recording currency according to the main economic environment in which they are situated. The currency in this financial statement prepared by the Group is RMB.

## **5.5 Accounting treatment method for business combination under common control and non-common control**

### **5.5.1 Business combination and goodwill under non-common control**

A business combination under non-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 combination cost shall be the fair value of the assets paid, the liabilities incurred or assumed or the equity instruments issued by the acquirer in exchange for the control over the acquiree. The intermediary expenses such as audit, legal services and assessment consultation and other related management expenses paid by the acquirer for business combination are included in the current profit and loss when they occur.

The identifiable assets, liabilities and contingent liabilities which are obtained from the acquiree in the business combination and meet the recognition conditions shall be measured on the acquisition

date according to the fair value thereof.

If the combination cost is larger than the fair value of the identifiable net assets obtained from the acquiree during the combination, the difference shall be recognized as business goodwill and initially measured according to the cost thereof.

The goodwill formed due to business combination shall be separately listed in the consolidated financial statement and measured on the basis of the cost minus the accumulative impairment provision.

## **5.6 Compiling methods of consolidated financial statement**

The consolidation scope of the consolidated financial statement is determined on the basis of control. Control means that the investor holds the power in the invested party, obtains variable returns by participating in relevant activities of the invested party and has the ability to affect the amount of the returns by using the power on the invested party. Once any change of the relevant facts and situations results in any change of relevant elements of the above definition of Control, the Group will carry out reappraisal.

The merger of any subsidiary company starts from the date when the Group acquires the power to control this subsidiary company, while the termination of any subsidiary company ends in the date when the Group loses the power to control this subsidiary company.

As for any subsidiary company obtained in a business combination under non-common control, the business result and the cash flow thereof since the acquisition date (date of obtaining the control power) shall have been properly included in the consolidated income statement and the consolidated cash flow statement.

The principal accounting policies and accounting period adopted by the subsidiary companies shall be determined in accordance with the accounting policies and accounting period uniformly regulated by the Company.

The influence of the internal transaction between the Company and the subsidiary companies as well as among subsidiary companies on the consolidated financial statement shall be neutralized at the time of combination.

The shares in the owner's equity of the subsidiary companies, which do not belong to the parent company, shall be recognized as the minority equity and listed under the item of "minority equity" of the owner's equity in the balance sheet. The shares in the current profit and loss of the subsidiary companies, which belong to the minority equity, shall be listed under the item of "minority equity" of the net profit in the consolidated income statement.

If the loss of the subsidiary companies borne by minority shareholders exceeds the shares of the owner's equity entitled therein by the minority shareholders at the beginning of the period, the difference shall be still credited against the minority equity.

The transaction of purchasing the minority interest of any subsidiary company or that doesn't lose the control power of this subsidiary company due to disposal of partial equity investment shall be recognized as equity transaction for business accounting, and the book value of the equity attributable to the owner of the parent company and the minority equity shall be adjusted to reflect the changes in the related rights and interests in the subsidiary company. The difference between the adjusted amount of the minority interest and the fair value of the paid/received consideration shall be adjusted as capital reserves. If the capital reserves are insufficient for offset, the retained income shall be adjusted accordingly.

## **5.7 Recognition standards of cash and cash equivalents**

Cash comprises cash on hand and demand deposit of the Company. Cash equivalents refer to short-term highly liquid investments which are readily convertible into known amount of cash with an insignificant risk of changes in value.

## 5.8 Foreign currency transaction and foreign currency statement translation

### 5.8.1 Foreign currency transaction

At the time of initial recognition of a foreign currency transaction, the amount of the foreign currency shall be translated into the amount of the recording currency at the spot exchange rate on the transaction date.

The monetary items of the foreign currency transaction shall be translated into RMB at the spot change rate on the balance sheet date. The currency translation difference generated by the difference between the spot change rate on the balance sheet date and the spot change rate at the initial recognition or on the previous balance sheet date shall be included in the current profit and loss, except: ① the currency translation difference of the dedicated foreign currency loan that meets the capitalization condition shall be included in the cost of assets as capitalization during the capitalization period; ② the currency translation difference of the arbitrage tool to avoid foreign exchange risk shall be treated according to the hedge accounting method; ③ the currency translation difference of the available-for-sale monetary items generated by the book value other than the amortized cost shall be recognized as other comprehensive income and included in other comprehensive income.

The amount of the non-monetary items of the foreign currency transaction measured by historical cost shall be still translated into the amount in the recording currency at the spot exchange rate on the transaction date. The non-monetary items of the foreign currency transaction measured by the fair value shall be translated at the spot exchange rate on the fair value date, and the difference between the amount in the recording currency and the amount in original recording currency shall be treated as the change of the fair value (including exchange rate movement) and shall be included in the current profit and loss or recognized as other comprehensive income.

### 5.8.2 Translation of foreign currency financial statement

In order to compile a consolidated financial statement, the foreign currency financial statement of overseas business shall be translated into RMB financial statement in accordance with the following methods: all asset and liability items in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; the shareholders' equity items, except for the ones as "undistributed profits", shall be translated at the spot exchange rate at the time when they occur; all items and the items reflecting the accrual profit distribution in the profit statement shall be translated at the exchange rate similar to the spot exchange rate at the time when they occur; the undistributed profits at the beginning of the year shall be the translated to the undistributed profits at the end of the previous year; the undistributed profits at the end of the year shall be calculated and listed as the translated profit distribution items; and the difference between the asset items and the sum of the liability items and the shareholders' equity items shall be recognized as other comprehensive income and included in the shareholder's equity.

The foreign currency cash flows and the cash flows of the overseas subsidiary companies shall be translated at the exchange rate similar to the spot exchange rate at the time when they occur; the amount of the cash and cash equivalents impacted by the exchange rate movement shall be, as a reconciling item, separately listed under "impact of exchange rate movement on cash and cash equivalents" in the cash flow statement.

The balance at the beginning of the year and the actual amount of the previous year shall be listed as the amount translated according to the financial statement of the previous year.

## 5.9 Financial instruments

When becoming a party to a contract of financial instruments, the Group shall recognize a financial asset or financial liability. The financial assets and financial liabilities shall be measured at their

fair value at the time of initial recognition. For other categories of financial assets and financial liabilities, relevant transaction expenses thereof shall be included in the initially recognized amount.

### **5.9.1 Effective interest method**

The effective interest method refers to the method by which the amortized cost and the interest income or expenditure of different installments are calculated in light of the effective interest rates of the financial assets or financial liabilities (including a group of financial assets or financial liabilities). The effective interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current book value of the financial asset or financial liability.

When the effective interest rate is calculated, the Group predicts the future cash flow (taking no account of the future credit loss) on the basis of considering all the contractual provisions concerning the financial assets or financial liabilities, as well as all kinds of charges, transaction expenses, discounts, premiums, etc. which are paid, charged, and included in the effective interest rate between the contracting parties of the financial assets or liabilities.

### **5.9.2 Classification, recognition and measurement of financial assets**

Financial assets are classified into the following categories when they are initially recognized: the financial assets which are measured at the fair value and the variation of which is included in the current profit and loss, the investments which will be held to their maturity, loans, accounts receivable and available-for-sale financial assets. The financial assets purchased and sold through common modes shall be recognized and terminated from recognition according to the accounting on the transaction date. The financial assets held by the Group are loans, accounts receivable and available-for-sale financial assets.

#### **Loans and accounts receivable**

Loans and accounts receivable refer to the non-derivative financial assets for which there is no quoted price in an active market and of which the repo amount is fixed or determinable. The financial assets classified by the Group into loans and accounts receivable include monetary capital, bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

The loans and accounts receivable shall be subsequently measured at amortized cost by adopting the effective interest rate method. The profits or losses that occur when such loans and accounts receivable are terminated from recognition, impaired or amortized shall be included in the current profit and loss.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale at the time of initial recognition and the financial assets other than those measured at their fair value and the variation of which is included in the current profit and loss, loans, accounts receivable and the investments which will be held to their maturity.

The equity instrument investment without quoted market price in an active market whose fair value cannot be reliably measured shall be measured by cost.

### **5.9.3 Impairment of financial assets**

On each balance sheet date, the Group checks the book value of the financial assets. If there is any objective evidence indicating that a financial asset is impaired, the impairment provision is accrued. Objective evidence indicating the impairment of financial assets refers to those occurring after the initial recognition, have effect on the estimated future cash flow of the financial assets, and can be

measured reliably.

The objective evidence indicating the impairment of the financial assets includes the following observable matters:

- ① A serious financial difficulty occurs to the issuer or the debtor;
- ② The debtor breaches any of the contractual stipulations, such as, failure to pay or delay of the payment of interest or principal;
- ③ The Group makes any concession due to economic, legal factors or other factors to the debtor which is in financial difficulties;
- ④ The debtor will probably become bankrupt or carry out other financial reorganizations;
- ⑤ The financial assets can no longer continue to be traded in an active market due to serious financial difficulties of the issuer;
- ⑥ It is impossible to identify whether the cash flow of a certain asset within a certain group of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the estimated future cash flow of the said group of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, including:
  - \* The payment ability of the debtor of the said group of financial assets worsens gradually;
  - \* The country or economic region where the debtor is situated has the conditions that may cause the financial assets to be unpaid.
- ⑦ A serious unfavourable change occurs to the operating technology, market, economic environment, legal environment of the issuer of the equity instruments that causes the investor of the equity instruments can't recover the investment costs;
- ⑧ The fair value of the equity instrument investment has serious or permanent decline; and
- ⑨ Other objective evidence showing the depreciation of the financial assets.

**\*Impairment of financial assets measured by amortized cost**

Where a financial asset measured at amortized cost is impaired, the book value of the said financial asset shall be written down to the current value of the predicted future cash flow determined according to the capitalization of original effective exchange rate (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be included into the current profit and loss. If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment losses originally recognized shall be reversed. However, the reversed book value shall not be any more than the amortized costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

An impairment test shall be made by the Group independently on the individually significant financial assets; with regard to not individually significant financial assets, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk characteristics so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including the individually significant financial assets and not individually significant financial assets) has not been impaired, it shall be included in a combination of financial assets with similar credit risk characteristics so as to conduct another impairment test. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized shall not be included in the combination of the financial assets with similar credit risk characteristics for impairment test.

**\*Impairment of available-for-sale financial assets measured by cost**



When the equity instrument investment without quoted market price in an active market and the fair value of which cannot be reliably measured is impaired, the book value is decreased to the current value confirmed by the discounted future cash flow according to the current market return of the similar financial assets. The decreased amount is recognized as impairment loss and included in the current profit and loss. The impairment loss of this kind of financial assets can't be transferred back upon confirmation.

#### **5.9.4 Transfer of financial assets**

Where a financial asset satisfies any of the following conditions, it shall be terminated from recognition: ① Where the contractual rights for collecting the cash flow of the said financial asset are terminated; ② Where the said financial asset has been transferred and all the risks and rewards of the financial asset have been substantially transferred to the receiver; ③ Where the financial asset has been transferred, although the Group does not transfer or retain almost all the risks and rewards of the financial asset, the Group still waives the control over the financial asset.

Where the overall transfer of the financial asset satisfies the derecognition conditions, the difference between the book value of the transferred financial asset as well as the consideration received due to such transfer and the summation of the cumulative amount of the fair value of the asset that is originally included in other comprehensive income shall be included in the current profit and loss.

#### **5.9.5 Classification, recognition and measurement of financial liabilities**

The Group classifies the financial instruments or the components as financial liabilities or equity instruments at the time of initial recognition according to the contract terms of the issued financial instruments and the reflected economic essence rather than only the legal form, considering the definition of financial liabilities and equity instruments.

The financial liabilities are classified as the financial liabilities and other financial liabilities measured by fair value and the variation of which is included in the current profit and loss at the time of initial recognition. The financial liabilities of the Group are other financial liabilities, including short-term loans, bills payable, accounts payable, interest payable, other payables, non-current liabilities due within one year, long-term loans and long-term payables.

##### **Other financial liabilities**

Other financial liabilities are subsequently measured at amortized cost by adopting effective interest rate method, wherein the profits or losses that arise when such financial liabilities are terminated from recognition or amortized shall be included in the current profit and loss.

#### **5.9.6 Terminated recognition of financial liabilities**

When the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability shall be terminated in all or in part.

Where the recognition of a financial liability is totally or partially terminated, the difference between the book value of the part which has been terminated from recognition and the consideration which has been paid (including the transferred non-cash assets and the assumed new financial liabilities) shall be included into the current profit and loss.

#### **5.9.7 Offset of financial assets and financial liabilities**

When the Group has the legal right to offset the recognized financial assets and financial liabilities and this right can be implemented at present, and when the Group plans to use net settlement or liquidate the financial assets and pay off the financial liabilities, the amount after the financial assets offset the financial liabilities is listed in the balance sheet. Besides, the financial assets and

the financial liabilities are respectively listed in the balance sheet without offset.

### 5.9.8 Equity instruments

The equity instruments mean the contracts by which to hold the residual equity in the assets of the Group after deducting all the liabilities. The issuing (including refinancing), counter purchase, sale or cancellation of the equity instruments by the Group shall be handled as changes of the equity. The Group doesn't recognize any change to the fair value of the equity instruments. The transaction expenses related to the equity transaction shall be deducted from the equity.

The distribution related to the equity instrument holder by the Group shall be considered as profit distribution, and the issued share dividends don't affect the total amount of the shareholders' equity.

### 5.10 Accounts receivable

#### 5.10.1 Bad account provision of individually significant accounts receivable

Judgment reference or amount standard for individually significant accounts	The accounts receivable with the amount above RMB 3,000,000 Yuan shall be recognized by the Group as the individually significant accounts receivable.
Accruing method for individually significant accounts accrued for bad account provision individually	An impairment test shall be made independently by the Group on the individually significant financial assets. Where, upon independent test, the financial asset has not been impaired, it shall be included in a combination of financial assets with similar risk characteristics so as to conduct another impairment test. The accounts receivable that are independently assessed for impairment and for which an impairment loss is or continues to be recognized shall not be included in the combination of accounts receivable with similar credit risk characteristics for impairment test.

#### 5.10.2 Individually insignificant accounts receivable accrued for bad account provision individually

Reasons for accruing for bad account provision individually	If there is objective evidence that the Group can't call back the accounts according to original articles, the individually insignificant accounts receivable can be accrued for bad account provision individually.
Methods for accruing bad account provision	The impairment losses are recognized according to the difference between the present value of future cash flow and the book value, and impairment provision is accrued.

### 5.11 Inventories

#### 5.11.1 Classification of inventories

Inventories of the Group comprise raw materials, goods in process and commodity stocks. The inventories are initially measured by cost. The inventory cost consists of purchase cost, processing cost and other expenditures to make inventories reach the current site and state.

#### 5.11.2 Pricing methods for sending out inventories

Weighted average method is used to determine the actual cost for sending out inventories when sending them out.

The agricultural products after the harvest are handled in accordance with the *ASBE 1- Inventories*.

#### 5.11.3 Recognition reference of the net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value on the balance sheet date. If the net realizable value is lower than the cost of inventories, the provision for the loss on decline in value of inventories are made. The net realizable value refers to the amount: the estimated sale price of inventories deducting the estimated cost to happen till completion, the estimated selling

expense and relevant taxes, in daily activities. Based on the acquired concrete evidence, the purpose for holding inventories and the impact of matters after balance sheet date shall be also considered during recognition of the net realizable value of inventories.

The inventories are accrued inventory depreciation provision according to the difference of single inventory item and its net realizable value.

After accruing inventory depreciation provision, if the previous influence factors writing down inventories value disappear resulting in the net realizable value of the inventories being higher than their book value, it shall be reversed from the originally accrued inventory depreciation provision amount and the reversed amount shall be included in the current profit and loss.

#### **5.11.4 Inventory system for the inventories**

Inventory system: Perpetual inventory system

#### **5.11.5 Amortization method of low-priced and easily-worn articles and packages**

Amortization method of packages and low-priced and easily-worn articles: One-off amortization method

### **5.12 Those divided into assets held for sale**

When a non-current asset of the Group (excluding deferred income tax asset) meets the following conditions simultaneously, the Group shall recognize it as holding for sale: This non-current asset can be sold immediately at the current state only according to the usual terms for selling such non-current assets; a resolution has been passed related to the disposal of this non-current asset; an irrevocable transfer agreement has been signed with the transferee; and this transfer will be completed within one year. As for non-current assets held for sale, the Group shall not withdraw the depreciation or carry out amortization, and the book value or the net amount deducting the disposal expenses from the fair value, whichever is less, shall be used for calculation.

### **5.13 Long-term equity investments**

#### **5.13.1 Judgment standard of control, common control and significant impact**

Control means that the investor holds the power in the invested party, obtains variable returns by participating in relevant activities of the invested party and has the ability to affect the amount of the returns by using the power on the invested party. Common control means a joint control over a certain arrangement according to relevant agreements and relevant activities of this arrangement must be decided upon unanimous consent of the participants sharing the control power. Significant impact refers to the right to participate in decision-making of the investor's financial and operating policies but not controlling or commonly controlling the formulation of these policies with other parties. When determining whether to control or exert significant influence on the invested unit, the potential voting power factors such as the current convertible company bonds and the current executable equity warrants held by the investor and other parties in the invested unit have been considered.

#### **5.13.2 Recognition of initial investment cost**

For long-term equity investments acquired from business combination under non-common control, the combination cost shall be regarded as the initial investment cost of the long-term equity investments on the acquisition date. For the business merger ultimately formed under non-common control with the stock rights of the purchased party step by step through several transactions, it shall be handled depending on whether it is a "package deal": If it belongs to a "package deal", each transaction shall be regarded as a transaction with the control power acquired for the accounting treatment.

The intermediary expenses such as audit, legal services and assessment consultation and other related management expenses paid by the acquirer for business combination are included in the current profit and loss when they occur.

For long-term equity investments other than those formed by business combination, initial measurement shall be carried out according to the cost.

### 5.13.3 Subsequent measurement and recognition of loss and profit

#### Long-term equity investments by cost method

Long-term equity investments in the subsidiary companies are measured on cost method basis in the corporate financial statement. Subsidiary companies refer to the invested entities by which the Group has control.

When cost method is adopted, the long-term equity investments are measured at the initial investment cost. In case of additional or recovered investment, the cost of the long-term equity investments shall be adjusted accordingly. The current investment income shall be recognized according to the cash dividends or profits declared to issue by the invested unit.

### 5.13.4 Disposal of long-term equity investments

When the long-term equity investments are disposed, the difference between the book value and the actually acquired price is included in the current profit and loss.

## 5.14 Fixed assets

### 5.14.1 Recognition conditions

Fixed assets refer to the tangible assets held for producing goods, rendering services, leasing or operation management, with service life exceeding one accounting year. Fixed assets can only be confirmed that the economic benefits related to the fixed assets are likely to flow into the Group, and the cost of the fixed assets can be measured reliably. Initial measurement for fixed assets shall be carried out according to the cost. For the subsequent expenses related to the fixed asset, if the economic benefits related to the fixed asset are likely to flow into the Group and the cost thereby can be reliably measured, the subsequent expenses are included in fixed asset cost and the book value of the substituted part shall be terminated. Other subsequent expenses shall be included in the current profit and loss.

### 5.14.2 Depreciation methods

Depreciation is calculated by the straight-line depreciation within the service life from the month following having been put into operation. The estimated service life, residual value and annual depreciation rate are as follows:

Classification	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line depreciation	20-40 years	0-5%	2.4%-5.0%
Machinery equipment	Straight-line depreciation	5-20 years	0-5%	4.8%-20.0%
Transportation tools	Straight-line depreciation	4-12 years	0-5%	7.9%-25.0%

The estimated residual value refers to the amount that the Group obtains from disposal of the assets at present after deducting the predicted disposition expenses at an estimated state on the assumption that the predicted service life of the fixed assets has expired.

### 5.14.3 Other description

When the fixed assets are under disposal state or cannot generate any economic benefits through use or disposal as expected, the fixed assets shall be derecognized. The selling, transfer, scrapping or damage disposal income shall be included in the current profit and loss after deducting the book value and relevant taxes.

The Group reviews the service life, expected net residual value, and the depreciation method of the fixed assets at least at the end of each year, and in case of any change, the change will be disposed

as accounting estimate change.

### 5.15 Construction in progress

Construction in progress is measured by actual costs, and the actual costs include all costs of the engineering during the period of construction, capitalized borrowing costs before the engineering reaches the planned serviceable condition and other related costs. The construction in progress is not depreciated. The construction in progress is transferred to fixed assets after reaching the planned serviceable condition.

### 5.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized after expenditure to acquire happens, borrowing costs happen, acquisition, construction or production essential for making the assets ready for their intended use or sales. Capitalization of borrowing costs shall cease when all the activities necessary to prepare the qualifying asset for its intended use of sale are substantially complete. If the acquisition, construction or production of a qualifying asset is abnormally interrupted, and the interruption period exceeds three months, the capitalization of borrowing costs shall be temporarily ceased, until the construction or production resumes. Other borrowing costs are recognized as expenses when occur. The amount after deducting the interest income of the borrowing funds that have not yet been used which are deposited in bank or the investment income from temporary investment from the interest expenses actually incurred in the current period of special borrowings shall be capitalized.

### 5.17 Biological assets

The biological assets of the Group are productive biological assets.

Productive biological assets refer to the biological assets held for the purposes of producing agricultural products, rendering services or leasing, etc. The productive biological assets of the Group are vines that produce grapes. Initial measurement for the productive biological assets is carried out according to the cost. For the occurred cost of the self-breeding productive biological asset before achieving the intended production and operation purposes can be directly attributable to the necessary expenses of the asset, including the borrowing cost conforming to capitalization.

The productive biological assets are not accrued depreciation until reaching the intended production and operation purposes. After reaching the intended production and operation purposes, the productive biological assets are accrued depreciation within the service life straight-line depreciation. The service life, estimated net residual value rate and annual depreciation rate of different productive biological assets are as follows:

<u>Category of assets</u>	<u>Service life</u>	<u>Estimated residual value rate (%)</u>	<u>Annual depreciation rate</u>
Vines	20 years	—	5%

The service life of the productive biological assets of the Group and the estimated residual value are confirmed by the normal service life cycle of the biological assets.

The Group reviews the service life, expected net residual value, and the depreciation method of the productive biological assets at least at the end of each year. In case of any change, the change will be disposed as accounting estimate change.

At the time of sale, loss, death, damage or destroy of a productive biological asset, the difference after deducting the book value and relevant taxes from the disposal income are included in the current profit and loss.

### 5.18 Intangible assets

#### 5.18.1 Pricing method, service life and impairment test

Intangible assets include land use right, software, etc.

Initial measurement for intangible assets is carried out according to the cost. For the intangible assets with finite lives, since they are available, the amount after the original value deducts expected net residual value and the accrued accumulative amount of provision for impairment is amortized evenly based on straight line method. The intangible assets with indefinite service life are not amortized. The amortization method, service life and estimated residual value of all kinds of intangible assets are shown as follows:

<u>Category of assets</u>	<u>Service life</u>	<u>Estimated net residual value rate</u>	<u>Annual amortization rate</u>
Land use right	40-50 years	-	2-2.5%
Software	5-10 years	-	10-20%
Trademark	10 years	-	10%

At the end of the period, the service life and amortization method of the intangible assets with finite service life shall be reviewed and adjusted if necessary.

### 5.19 Impairment of long-term assets

On each balance sheet date, the Group and the Company check the long-term equity investments, fixed assets, construction in progress, productive biological assets and intangible assets with finite service life to determine whether there is a sign indicating any impairment. If there is such a sign, the recoverable amount shall be estimated.

The estimated recoverable amount of the asset is based on the single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount is determined based on the asset group which the asset is in. The recoverable amount is the higher one between the net amount after the disposition expenses are deducted from the fair value of the asset or the asset group and the current value of the estimated future cash flow.

If the recoverable amount of the asset is lower than its book value, the impairment provision of the asset is accrued based on the difference and included in the current profit and loss.

Impairment test is carried out for goodwill at least at the end of each year. The impairment test of goodwill shall be carried out in combination with the related asset group or asset combination. That is to say, the book value of the goodwill is amortized to the asset group or asset combination benefiting from the synergistic effect of the business combination according to the reasonable methods from the acquisition date. If the recoverable amount of the asset group or asset combination which includes the amortized goodwill is lower than the book value, the corresponding impairment loss is recognized. The amount of impairment loss shall firstly offset the book value of the goodwill amortized to the asset group or asset combination and then offset the book value of other assets in proportion according to the proportion in the book value of other assets in the asset group or asset combination except for the goodwill.

After the impairment loss of assets has been recognized, it is not be reversed in the future accounting periods.

### 5.20 Long-term unamortized expenses

Amortization period of different long-term unamortized expenses of the Group are listed as follows:

	<u>Amortization period</u>
Land requisition fee	50 years
Land leasing fee	50 years
Afforestation fee	5-20 years
Decoration fee	3-5 years
Other	3 years

## 5.21 Employee remunerations

### 5.21.1 Accounting treatment method of short-term remunerations

During the accounting period that the employees provide services for the Group, the actual short-term remunerations are recognized as liabilities and included in the current profit and loss or relevant asset costs. The welfare expenses of the employees in the Group are included in the current profit and loss or relevant asset costs when occur based on the actual amount. The non-monetary welfare expenses of the employees are measured by the fair value.

During the accounting period that the employees provide services for the Group, the corresponding employee remunerations and the corresponding liabilities are recognized and included in the current profit and loss or relevant asset costs after the social insurance premiums including medical insurance premium, industrial injury insurance premium and birth insurance premium as well as housing provident funds are paid by the Group for the employees, and labor union dues and employee education funds are withdrawn by the Group according to the regulated withdrawing base and proportion.

### 5.21.2 Accounting treatment method of welfare after resignation

The Group makes the contribution plan for the welfare after resignation.

During the accounting period that the employees provide services for the Group, the amount to be deposited which is calculated in accordance with the contribution plan is recognized as liabilities and included in the current profit and loss or relevant asset costs.

### 5.21.3 Accounting treatment method of welfare after dismissal

If the Group provides dismissal welfare to the employees, the employee remuneration liabilities caused by the dismissal welfare shall be recognized and included in the current profit and loss on the following date which is earlier: The Group can't unilaterally withdraw the dismissal welfare due to termination of labor relation plan or redundancy suggestion; or the Group confirms the costs or expenses related to the reorganization involving the payment of the dismissal welfare.

## 5.22 Revenue

### 5.22.1 Revenues from sale of goods

When the significant risks and rewards of ownership of goods have been transferred to the buyer, provided that the Group maintains neither continuous management right involvement to the degree usually associated with ownership, nor effective control over the goods sold, and cost of sales can be measured reliably. When the relevant economic benefits are likely to flow into the enterprise and the relevant incurred cost or cost to be incurred can be measured reliably, the realization of the revenue from sale of goods can be recognized.

### 5.22.2 Rendering of services

When income amount of rendering of services can be measured reliably, the relevant economic benefits are likely to flow into the Group, the stage of completion of the transaction can be measured reliably, and the incurred cost or cost to be incurred in the transaction can be measured reliably, then the income realization of rendering of services can be recognized. The Group confirmed the income of the rendered services according to percentage-of-completion method on the balance sheet date. The percentage-of-completion of the service transaction is determined according to the proportion of the rendered service accounting for the total services that shall be rendered.

If the outcome of rendering of service transaction cannot be reliably estimated, the income of the rendered services are determined according to the render cost amount that is incurred and is expected to be compensated, and the incurred service cost shall be the period charge. If the incurred service cost is expected to be unable to be compensated, the income will not be determined.

## 5.23 Governmental subsidies

### 5.23.1 Judgment standard and accounting treatment method of governmental subsidies related to assets

Governmental subsidies refer to monetary or non-monetary assets received by the Group from the government. According to the nature of the granted object clearly stipulated in relevant government documents, governmental subsidies include those related to assets and those related to income.

Governmental subsidies are recognized where there is a reasonable assurance that the allowances will be received and all attaching conditions will be complied with. Monetary allowances are measured on the basis of the amount received or the amount receivable.

Governmental subsidies related to assets are recognized as deferred income and are distributed equally in the current profit and loss within the useful lives of the relevant assets.

### 5.23.2 Judgment standard and accounting treatment method of governmental subsidies related to revenues

The governmental subsidies related to revenues to be used as compensation for future expenses or losses are recognized as deferred income and are included in the profit and loss statement for the period where the relevant expenses are recognized; or those to be used as compensation for relevant expenses or losses already occurred are recorded directly in the current profit and loss.

## 5.24 Deferred income tax assets/deferred income tax liabilities

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

### 5.24.1 Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period and the prior periods are measured according to the predicted payable (refundable) income tax amount as stipulated by tax law.

### 5.24.2 Deferred income tax assets and deferred income tax liabilities

The balance sheet liability method is used for recognizing deferred income tax assets and deferred income tax liabilities for the difference between certain assets, book value of liability items and their tax base, and the temporary differences arising from the book value of items (that are not recognized as assets and liabilities but can be recognized the tax bases as stipulated by tax law) and tax bases.

Normally all temporary differences are recognized the relevant deferred income taxes. However, for the deductible temporary differences, the Group recognized the relevant deferred income tax assets taking the taxable income that is likely to be obtained for deducting deductible temporary differences as the limit. In addition, the temporary differences relevant to initial recognition of goodwill and relevant to the initial recognition of assets or liabilities arising from transaction not of business combination, and not influencing accounting profit and taxable income (or deductible loss) are not recognized for the relevant deferred income tax assets or liabilities.

For the deductible losses and tax credits that can be transferred during subsequent years, the corresponding deferred income tax assets shall be recognized by taking the future taxable income that is likely to be used to deduct deductible losses and tax credits as the limit.

The Group recognized the deferred income tax liabilities arising from the taxable temporary differences relevant to the subsidiary companies, except for that the Group can control the time of the reverse of the temporary differences which are unlikely to be reversed in the foreseeable future. For the deductible temporary differences relevant to the subsidiary companies, the Group will recognize the deferred income tax assets only when the temporary differences are likely to be reversed in the foreseeable future and the taxable income for deducting deductible temporary differences is likely to be achieved in the future.



On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured according to the applicable tax rate during the period of expecting to repossess the relevant assets or pay off relevant liabilities as stipulated by tax law.

Except for the current income taxes and deferred income taxes (relevant to transaction and matter that are directly included in other comprehensive income or stockholder's equity) that are included in other comprehensive income or stockholder's equity and the deferred income taxes arising from business combination that adjusts the book value of the goodwill, the expenses or revenues of other current income taxes and deferred income taxes are included in the current profit and loss.

On the balance sheet date, the Group shall review the book value of deferred income tax assets and shall write down the book value of deferred income tax assets if sufficient taxable income is unlikely to be obtained in the future to deduct the benefits of deferred income tax assets. The amount written down shall be reversed when it is likely to obtain sufficient taxable income.

### **5.24.3 Offset of income tax**

When there is the legal right of netting or intention of netting or carrying out obtaining assets and paying off liabilities at the same time, the current income tax asset and current income tax liability of the Group are reported according to the net amount after offset.

When there is the legal right of netting the current income tax asset and current income tax liability and the deferred income tax assets and deferred income tax liabilities are relevant to the income tax collected by same tax collection and management department on the same taxpayer or different taxpayers, however, the involved tax payers intend to net the current income tax assets and liabilities or obtain assets and pay off liabilities at the same time during every period of reverse of each significant deferred income tax assets and liabilities in the future, deferred income tax assets and deferred income tax liabilities of the Group are reported according to the net amount after offset.

### **5.25 Lease**

The term “financing lease” refers to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Other leases except for financing lease are the operating lease.

#### **5.25.1 Accounting treatment method of operating lease**

##### **The Group records the operating lease business as a lessee.**

Rental expenses under the operating lease are credited to related costs of the assets or the current profit and loss on the straight line basis over the lease terms. The initial direct expenses are included in the current profit and loss.

### **5.26 Changes in main accounting policies and accounting estimates**

#### **5.26.1 Changes in main accounting policies**

Nil

#### **5.26.2 Changes in main accounting estimates**

Nil

### **5.27 Other**

Critical assumptions and uncertain factors adopted for important judgements and accounting estimates during the application of the accounting policies

During the application of the accounting policies of this Financial Report IV, the Group needs to judge, estimate and assume the book value of the report items that are unable to be accurately measured due to the inherent uncertainties of business activities, in which the judgment, estimation and assumption are made based on the previous historical experience of the management level of the Group and considering other relevant factors. The actual results may have differences from the

estimation of the Group.

The Group regularly reviews the above-mentioned judgment, estimation and assumption based on the continuous operation, and the change of accounting estimate only affects the current period of change, of which the influence number will be recognized at the current period of change; in case of influencing both current period and future period of change, the influence number will be recognized at the current period and future period of change.

### **Critical assumptions and uncertain factors adopted for accounting estimates**

On the balance sheet date, the main critical assumptions and uncertainties in accounting estimates that are likely to result in significant adjustments in assets and book value of liabilities in the future period include:

#### **Deferred income tax assets**

Within the limit of the likeliness that there is sufficient taxable income to deduct deductible losses, the deferred income tax assets shall be recognized according to all deductible losses that have not been utilized, which requires the management level to use a lot of judgments to estimate the occurred time and amount of taxable income to be obtained in the future, and combine with tax planning strategy to decide the amount of deferred income tax assets that shall be recognized.

#### **Depreciation**

The Group uses straight line method for provision for depreciation within the expected service life after considering the residual value of the fixed assets. The Group regularly reviewed the expected service life to decide the amount of depreciation expense that will be included in every report period. The expected service life is recognized by the Group according to the previous experience on similar assets and in combination with the expected technical changes. The depreciation expense shall be adjusted if there are significant changes in the previous estimate.

#### **Service life of intangible assets**

The expected service life of intangible assets are estimated based on actual service life of the previous intangible assets of similar natures and functions and according to historical experience and in consideration of the duration of the contractual rights or other legal rights applicable to the intangible assets.

In case that the service life of the intangible assets shortens or extends, the amortization period will be adjusted in the future period for intangible assets with finite life.

#### **Impairment of long-term assets**

The Group carries out impairment assessment on long-term assets to determine if the recoverable amount of assets drops to the amount lower than their book value. If the situation shows that the book value of the long-term assets may not be fully recovered, the relevant assets will be deemed as having been impaired and the impairment loss shall be correspondingly recognized.

The recoverable amount is the higher in: the net amount of fair value of an asset (or asset group) minus disposal expense, and the present value of the estimated future cash flow of the asset (or asset group). It is difficult for the Group to accurately estimate the fair value of an asset because of difficulty in obtaining the open market price of the asset (or asset group). It needs to make significant judgments on the output, selling price, relevant operating cost of the asset (or asset group) and the discount rate used for calculating present value when estimating the present value of future cash flow. The Group will use all easily available materials in estimating the recoverable amount, including the forecast relevant to output, selling price and relevant operating cost according to the reasonable and supportable assumption.

#### **Bad account provision for accounts receivable**

Bad account provision for accounts receivable shall be recognized by the management level according to the objective evidences (e.g. the possibility of bankruptcy or severe financial difficulty

of the debtor) that can affect the recovery of the accounts receivable. The management level will reevaluate bad account provision in the end of every year.

#### **Inventory depreciation provision accrued based on net realizable value**

According to the inventory accounting policy, the Group carries out price decrease provision for obsolete and unsalable inventories with higher cost than the net realizable value measurement according to the lower of the cost and net realizable value. The Group will reevaluate if the inventories are obsolete and unsalable, and if the net realizable value is lower than inventory cost in the end of every year.

## **6. Taxes**

### **6.1 Main taxes and tax rate**

Taxes	Tax basis	Tax rate
Value added tax	VAT is levied by the output tax calculated by the taxable revenue as the tax base after deduction of eligible input VAT in this period.	17%, 6% (China), 19.6% (France) and 21% (Spain)
Consumption tax	The consumption tax is levied by the taxable revenue as the tax base.	10%-20% (China)
Business tax	The business tax is levied by the taxable revenue as the tax base.	5% (China)
Urban maintenance and construction tax	The urban maintenance and construction tax is levied by the actually paid turnover tax as the tax base.	7% (China)
Corporate income tax	The corporate income tax is levied by the taxable income as the tax base.	25% (China), 33% (France) and 28% (Spain)

### **6.2 Tax incentives**

Ningxia Changyu Grape Growing Co., Ltd. (“Ningxia Growing”), a subsidiary of the Company, whose principal activity is grape growing, is incorporated in Yongning County, Ningxia Hui Autonomous Region. According to Article 27 of *PRC Corporate Income Tax* and Article 86 of *PRC Corporate Income Tax Measures for Implementation*, it enjoys an exemption of corporate income tax related to grape growing.

Xinjiang Tianzhu Wine Co., Ltd. (“Xinjiang Tianzhu”) and Xinjiang Chateau Changyu Baron Balboa Co., Ltd. (“Shihezi Chateau”), the subsidiaries of the Company, are enterprises engaged in the production and sales of bulk wine incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant regulations of the *Notice on Relevant Issues of Taxes Policies for Deeply Implementing the Western Development Strategy* (Cai Shui [2011] No. 58), such enterprises enjoy the preferential policy for the corporate income tax, and the preferential tax rate of the corporate income tax is 15% from 2015 to 2020.

## **7. Notes to consolidated financial statement**

### **7.1 Monetary capital**

Unit: Yuan

Item	Ending balance	Beginning balance
Cash on hand	112,832	117,507
Bank deposit	1,433,123,482	1,240,607,797
Other monetary capital	116,831,467	150,792,303

Total	1,550,067,781	1,391,517,607
Including: Total amount of funds deposited abroad	17,223,253	16,080,618

As at June 30, 2017, the restricted bank deposit details are listed as follows:

Item	Ending balance	Beginning balance
Housing fund of the unit	2,748,410	2,711,926
Total	2,748,410	2,711,926

As at June 30, 2017, the details of other monetary funds are listed as follows:

Item	Ending balance	Beginning balance
Pledge of fixed deposits by Yantai Changyu Wine Research, Development and Manufacture Co., Ltd. ("R&D Company")	46,100,000	46,100,000
Refundable deposits of bills payable	8,000,000	38,900,000
Refundable deposits of the letter of credit	60,580,850	25,694,735
Account balance of Alipay	1,992,035	40,047,367
Guaranty money for the unit card	158,582	50,201
Total	116,831,467	150,792,303

As at June 30, 2017, the frozen amount in the account balance of Alipay was RMB 1,992,035 Yuan (December 31, 2016: RMB 18,118,441 Yuan).

As at June 30, 2017, the monetary capital deposited abroad by the Group was RMB 17,223,253 Yuan (December 31, 2016: RMB 16,080,618 Yuan).

As at June 30, 2017, the bank deposits of the Group including short-term fixed deposits ranging from 3 months to 1 year amounted to RMB 201,000,000 Yuan (December 31, 2016: RMB 3,000,000 Yuan), with the interest rates ranging from 1.3%-1.95%.

## 7.2 Bills receivable

### 7.2.1 Classification of bills receivable

Unit: Yuan

Type	Ending balance	Beginning balance
Bank acceptance	378,804,230	210,470,027
Trade acceptance		
Total	378,804,230	210,470,027

### 7.2.2 Bills receivable pledged by the Company at the end of period

Nil

### 7.2.3 Bills receivable endorsed or discounted by the Company at the end of period but not yet matured as of the balance sheet date

Unit: Yuan

Item	Amount terminating recognition at the end of period	Amount not terminating recognition at the end of period
Bank acceptance	138,552,83	
Trade acceptance		
Total	138,552,83	

### 7.2.4 Bills receivable reclassified as accounts receivable by the Company due to the default of drawer at the end of period

Nil

## 7.3 Accounts receivable

### 7.3.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable of significant single amount and single accrued bad debt provision	70,335,893	42.1%			70,335,893	75,230,493	43.5%			75,230,493
Accounts receivable accrued bad debt provision by credit risk features										
Accounts receivable of insignificant single amount and single accrued bad debt provision	96,816,616	57.9%			96,816,616	97,832,135	56.5%			97,832,135
Total	167,152,509	100%			167,152,509	173,062,628	100%			173,062,628

The credit term of accounts receivable is normally one month. Major customers can be granted a credit term up to three months. The accounts receivable are free from interest.

As at June 30, 2017, the accounts receivable with ownership restrictions were RMB 29,248,895 Yuan

(December 31, 2016: RMB 30,732,944 Yuan). Please refer to Note 7.19 for the details.

### 7.3.2 Bad debt provision accrued, transferred back or received in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that transferred back or received in this period was RMB 0 Yuan.

### 7.3.3 Accounts receivable actually cancelled after verification in this period

Nil

### 7.3.4 Accounts receivable collected by the borrowers of top 5 units ranked by the ending balance

Unit	Relationship with the Company	Amount	Period	Percentage in total accounts receivable
Nonggongshang Supermarket (Group) Co., Ltd.	Third party	11,144,490	Within 1 year	6.7%
Distribuidora Internacional ( DIA)	Third party	9,926,131	Within 1 year	5.9%
Wal-mart (China) Investment Co., Ltd.	Third party	8,649,179	Within 1 year	5.2%
Lianhua Supermarket Holdings Co., Ltd.	Third party	8,599,554	Within 1 year	5.1%
Suguo Supermarket Co., Ltd.	Third party	8,406,322	Within 1 year	5.0%
Total	--	46,725,676	--	28.0%

### 7.3.5 Accounts receivable terminating recognition due to transfer of financial assets

Nil

### 7.3.6 Accounts receivable transferred and included in assets and liabilities

Nil

## 7.4 Advance payment

### 7.4.1 Advance payment listed by age

Unit: Yuan

Age	Ending balance		Beginning sum	
	Amount	Proportion	Amount	Proportion
Within 1 year	2,114,086	100%	2,175,606	100%

1-2 years				
2-3 years				
More than 3 years				
Total	2,114,086	--	2,175,606	--

#### 7.4.2 Advance payment collected by the prepaid parties of top 5 units ranked by the ending balance

Unit	Relationship with the Group	Amount	Age	Reason for unsettlement	Percentage in the total advance payment%
Chongqing Hoson Glass Co., Ltd.	Third party	508,873	Within 1 year	Failure to receive the goods	24.1%
Shandong Electric Power Group Company Yantai Power Supply Company	Third party	484,514	Within 1 year	Prepaid electricity purchasing fund	22.9%
Jiangsu Dibang Construction Engineering Co., Ltd.	Third party	421,357	Within 1 year	Prepaid repair charges	19.9%
Yantai Yanlai Electromechanical Equipment Production, Maintenance and Supply Center	Third party	100,000	Within 1 year	Prepaid repair charges	4.7%
Yantai Refrigeration Equipment Plant	Third party	54,544	Within 1 year	Prepaid repair charges	2.6%
Total	--	1,569,288	--	--	74.2%

### 7.5 Interest receivable

#### 7.5.1 Classification of interest receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed deposit	368,928	24,200
Entrusted loan		
Bond investment		
Total	368,928	24,200

## 7.6 Other accounts receivable

### 7.6.1 Other accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Other accounts receivable of significant single amount and single accrued bad debt provision	5,460,380	33.5%			5,460,380	7,417,220	39.3%			7,417,220
Other accounts receivable accrued bad debt provision by credit risk features										
Other accounts receivable of insignificant single amount and single accrued bad debt provision	10,850,802	66.5%			10,850,802	11,463,580	60.7%			11,463,580
Total	16,311,182	100%			16,311,182	18,880,800	100%			18,880,800

### 7.6.2 Bad debt provision accrued, transferred back or received in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that transferred back or received in this period was RMB 0 Yuan.

### 7.6.3 Other accounts receivable actually cancelled after verification in this period

Nil

### 7.6.4 Other accounts listed by nature

Unit: Yuan

Nature	Ending book balance	Beginning book balance
Deposit and guaranty money receivable	11,867,142	13,191,851



Nature	Ending book balance	Beginning book balance
Imprest receivable	1,787,865	2,934,424
Consumption tax rebate	483,021	573,586
Other	2,173,154	2,180,939
Total	16,311,182	18,880,800

### 7.6.5 Other accounts receivable collected by the borrowers of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Nature	Ending balance	Age	Percentage in total ending balance of other accounts receivable	Ending balance of bad debt provision
YEDA Finance Bureau	Construction guarantee	5,460,380	Within 2 years	33.4%	
YEDA Construction Industry Association	Construction guarantee	2,151,300	More than 3 years	13.2%	
Canada Oros Icewine Co., Ltd.	Foreign investment receivable	2,050,000	1-2 years	12.6%	
Shandong Electric Power Group Company Yantai Power Supply Company	Power supply guarantee	1,206,853	More than 3 years	7.4%	
YEDA Thermochemistry Co., Ltd.	Deposit	500,000	Within 1 year	3.1%	
Total	--	11,368,533	--	69.7%	

### 7.6.6 Other accounts receivable terminating recognition due to transfer of financial assets

Nil

### 7.6.7 Other accounts receivable transferred and included in assets and liabilities

Nil

## 7.7 Inventories

### 7.7.1 Inventory classification

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	40,739,604		40,739,604	72,011,633		72,011,633
Goods in process	1,453,452,930		1,453,452,930	1,253,218,347		1,253,218,347
Commodity stocks	545,683,575	15,573,180	530,110,395	944,806,516	21,426,756	923,379,760

Total	2,039,876,109	15,573,180	2,024,302,929	2,270,036,496	21,426,756	2,248,609,740
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## 7.7.2 Inventory depreciation provision

Unit: Yuan

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Accrual	Other	Transfer back or write-off	Other	
Raw materials						
Goods in process						
Commodity stocks	21,426,756			5,853,575.63		15,573,180
Total	21,426,756			5,853,575.63		15,573,180

## 7.8 Those divided into assets held for sale

Unit: Yuan

Item	Ending book value	Fair value	Estimated disposal expenses	Estimated disposal time
Zhenshantun collective apartment	2,000,197	16,282,224	3,878,560	
Total	2,000,197	16,282,224	3,878,560	--

The Company has signed an irrevocable agreement for disposing the fixed assets, and the contract amount is RMB 16,282,224 Yuan. The disposal is predicted to be completed in 2017.

## 7.9 Other current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Prepaid corporate income tax	68,535,748	26,238,092
Deductible input tax	218,239,811	135,316,274
Rent to be amortized	6,518,738	7,967,876
Total	293,294,297	169,522,242

## 7.10 Available-for-sale financial assets

### 7.10.1 Particulars of available-for-sale financial assets

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale financial instruments:						
Available-for-sale equity	10,463,800	10,000,000	463,800	10,340,263	10,000,000	340,263

instruments:						
Fair value measurement						
Cost measurement	10,463,800	10,000,000	463,800	10,340,263	10,000,000	340,263
Total	10,463,800	10,000,000	463,800	10,340,263	10,000,000	340,263

### 7.10.2 Available-for-sale financial assets by cost measurement at the end of period

Unit: Yuan

Invested unit	Book balance				Impairment provision				Shareholding ratio in the invested unit	Cash dividend in this period
	Beginning	Increase in this period	Decrease in this period	Ending	Beginning	Increase in this period	Decrease in this period	Ending		
Yantai Dingtao Construction and Development Co., Ltd. (Note 1)	10,000,000			10,000,000	10,000,000			10,000,000	18%	
Other (Note 2)	340,263	123,537		463,800					Less than 1%	
Total	10,340,263	123,537		10,463,800	10,000,000			10,000,000	--	

Note 1: The book balance of the equity investment made by the Company in Yantai Dingtao Construction and Development Co., Ltd. was RMB 10,000,000 Yuan, and the provision for impairment of RMB 10,000,000 Yuan has been withdrawn. The invested entity is an unlisted company and its fair value can't be measured reliably, so the Company shall measure such available-for-sale financial assets by cost method.

Note 2: The Group holds less than 1% of the shares in such invested entities. These invested entities are all unlisted companies and their fair value can't be measured reliably, so the Group shall measure such available-for-sale financial assets by cost method.

### 7.10.3 Changes of impairment of available-for-sale financial assets in the report period

Unit: Yuan

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Accrued impairment balance at the beginning of period	10,000,000		10,000,000
Accrued amount of this period			
Including: Transferred in from other comprehensive income			
Decrease in this period			
Including: Fair value recovered and transferred back after date			
Accrued impairment balance at the end of period	10,000,000		10,000,000

## 7.11 Fixed assets

## 7.11.1 Particulars of fixed assets

Unit: Yuan

Item	Houses and buildings	Machinery equipment	Transportation tools	Total
I Original book value:				
1. Beginning balance	3,956,177,208	1,969,135,575	29,329,141	5,954,641,924
2. Increase in this period	13,905,309	20,067,704	540,959	34,513,972
2.1 Acquisition	4,259,361	19,480,245	540,959	24,280,565
2.2 Transfer in from construction in progress	9,645,948	587,459		10,233,407
2.3 Business merger increase				
2.4 Other				
3. Decrease in this period	517,494	10,793,669	2,193,612	13,504,775
3.1 Disposal or retirement	517,494	10,793,669	2,193,612	13,504,775
3.2 Other				
4. Ending balance	3,969,565,023	1,978,409,610	27,676,488	5,975,651,121
II Accumulated depreciation				
1. Beginning balance	410,161,600	840,158,129	21,134,702	1,271,454,431
2. Increase in this period	58,767,044	65,753,010	1,248,414	125,768,468
2.1 Accrual	58,767,044	65,753,010	1,248,414	125,768,468
2.2 Business merger increase				
2.3 Other				
3. Decrease in this period	502,888	10,039,409	2,066,967	12,609,264
3.1 Disposal or retirement	502,888	10,039,409	2,066,967	12,609,264
3.2 Other				
4. Ending balance	468,425,756	895,871,730	20,316,149	1,384,613,635
III Impairment provision				
1. Beginning balance				
2. Increase				
2.1 Accrual				
2.2 Other				
3. Decrease				
3.1 Disposal or retirement				
3.2 Other				
4. Ending balance				
IV Book value				
1. Ending book value	3,501,139,267	1,082,537,880	7,360,339	4,591,037,486
2. Beginning book value	3,546,015,608	1,128,977,446	8,194,439	4,683,187,493

As at June 30, 2017, the net value of the fixed assets with ownership restrictions was RMB 69,535,906 Yuan. Please refer to Note 7.50 for the details.

**7.11.2 Temporarily idle fixed assets**

Nil

**7.11.3 Fixed assets under finance leases**

Nil

**7.11.4 Fixed assets under operating lease**

Nil

**7.11.5 Fixed assets without property certificates**

Unit: Yuan

Item	Book value	Reason for not receiving the property certificate
Industrial Production Center of the R&D Company	1,196,449,426	Under transaction
Dormitory Building, Main Building and Reception Building of Chang'an Chateau	262,115,218	Under transaction
Workshop and Plant of Xinjiang Shihezi Chateau	253,470,055	Under transaction
European Town, Main Building and Service Building of Beijing Chateau	217,419,173	Under transaction
Main Building of Yantai Changyu Tinlot Chateau	89,315,962	Under transaction
Provincial Office of Sales Company	21,537,995	Under transaction
Fermentation Workshop and Storage Workshop of Xinjiang Tianzhu	18,788,139	Under transaction
Office Building and Packaging Workshop of Icewine Chateau	9,660,096	Under transaction
Wine-making Workshop of Changyu (Jingyang)	4,244,130	Under transaction
Office Building, Laboratory Building and Workshop of Fermentation Center	3,913,797	Under transaction
Finished Goods Warehouse and Workshop of Kylin Packaging	2,532,867	Under transaction

**7.12 Construction in progress****7.12.1 Particulars of construction in progress**

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction Project of Research, Development & Manufacture Center ("Changyu Wine City Complex")	1,480,406,758		1,480,406,758	1,227,968,480		1,227,968,480
Construction Project of Ningxia Chateau	57,067,866		57,067,866	36,717,169		36,717,169
Construction Project of Shihezi Chateau	29,704,077		29,704,077	30,600,684		30,600,684

Construction Project of Sales Company	39,933,379		39,933,379	26,011,600		26,011,600
Construction Project of Chang'an Chateau	42,579,064		42,579,064	10,346,598		10,346,598
Construction Project of Tinlot Chateau	33,752,441		33,752,441	4,871,422		4,871,422
Reconstruction Project of AFIP Tourism Plaza	5,273,600		5,273,600	3,713,945		3,713,945
Reconstruction Project of Jingyang Fermentation Workshop	2,931,559		2,931,559	2,331,559		2,331,559
Plant Construction Project of Huanren Winery	1,707,004		1,707,004	920,596		920,596
Construction and Reconstruction Project of Joint-stock Company	268,929		268,929	500,000		500,000
Construction Projects of Other Companies	3,672,763		3,672,763	2,299,684		2,299,684
Total	1,697,297,440		1,697,297,440	1,346,281,737		1,346,281,737

### 7.12.2 Changes of major construction in progress in this period

Unit: Yuan

Item	Budget	Beginning balance	Increase	Transferred to fixed assets	Other decrease	Ending balance	Proportion of accumulative project input in budget	Construction progress	Accumulative capitalization amount of interest	Including: capitalization amount of interest in this period	Capitalization ratio of interest in this period	Capital source
Construction Project of Research, Development & Manufacture Center “Changyu Wine City Complex”)	4,505,780,000	1,227,968,480	252,438,278			1,480,406,758	67.8%		4,107,701	1,817,978	1.2%	Loans form financial institutions and self-raised funds
Construction Project of Chang'an Chateau	620,740,000	10,346,598	46,721,268			57,067,866	102.5%					Self-raised funds
Construction Project of Sales Company	161,350,000	26,011,600	4,808,231	1,115,754		29,704,077	93.0%					Self-raised funds
Construction Project of Shihezi Chateau	780,000,000	30,600,684	14,724,227	5,391,532		39,933,379	89.8%					Self-raised funds
Construction Project of Ningxia Chateau	414,150,000	36,717,169	10,018,016	4,156,121		42,579,064	97.4%					Self-raised funds
Construction Project of Tinlot Chateau	192,400,000	4,871,422	28,881,019			33,752,441	110.7%					Self-raised funds
Plant Construction Project of Huanren Winery	31,000,000	920,596	786,408			1,707,004	97.5%					Self-raised funds
Total	6,705,420,000	1,337,436,549	358,377,447	10,663,407		1,685,150,589	--	--	4,107,701	1,817,978		--

As at June 30, 2017, there was no indication for impairment of construction in process of the Group, so no provision was made.

## 7.13 Productive biological assets

### 7.13.1 Productive biological assets by cost measurement

Unit: Yuan

Item	Plantation		Total
	Immature	Mature	
I Original book value			
1. Beginning balance	77,841,960	141,208,504	219,050,464
2. Increase in this period	-65,331,472	69,081,966	3,750,494
2.1 Outsourcing			0
2.2 Self cultivation	2,987,011	763,483	3,750,494
2.3 The immature turn to the mature	-68,318,483	68,318,483	
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance	12,510,488	210,290,470	222,800,958
II Accumulated depreciation	12,510,488	210,290,470	
1. Beginning balance		17,621,484	17,621,484
2. Increase in this period		7,155,162	7,155,162
2.1 Accrual		7,155,162	7,155,162
2.2 Other			
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance		24,776,646	24,776,646
III Impairment provision			
1. Beginning balance			
2. Increase in this period			
2.1 Accrual			
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance			
IV Book value			
1. Ending book value	12,510,488	185,513,824	198,024,312



2. Beginning book value	77,841,960	123,587,020	201,428,980
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As at June 30, 2017, no ownership of the biological assets was restricted.

As at June 30, 2017, there was no indication that biological assets may be impaired, so no provision was made.

## 7.14 Intangible assets

### 7.14.1 Particulars of intangible assets

Unit: Yuan

Item	Land use right	Software use right	Trademark	Total
I Original book value				
1. Beginning balance	491,490,069	52,435,669	15,442,065	559,367,803
2. Increase in this	4,140,000	895,888	99,552	5,135,440
2.1 Acquisition	4,140,000	895,888		5,035,888
2.2 Internal R&D				
2.3 Business merger increase				
2.4 Other			99,552	99,552
3. Decrease in this				
3.1 Disposal				
4. Ending balance	495,630,069	53,331,557	15,541,617	564,503,243
II Accumulated amortization				
1. Beginning balance	56,803,430	12,548,283	6,201,010	75,552,723
2. Increase in this period	5,292,764	2,057,478	2,238,105	9,588,347
2.1 Accrual	5,292,764	2,057,478	2,238,105	9,588,347
2.2 Business merger increase				
3. Decrease in this				
3.1 Disposal				
4. Ending balance	62,096,194	14,605,761	8,439,115	85,141,070
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this				

3.1 Disposal				
4. Ending balance				
IV Book value				
3. Ending book value	433,533,875	38,725,796	7,102,502	479,362,173
4. Beginning book value	434,686,639	39,887,386	9,241,055	483,815,080

As at June 30, 2017, the net value of the intangible assets with ownership restrictions was RMB 143,892,516 Yuan. Please refer to Note 7.50 for the details.

#### 7.14.2 Land use right of that not receiving the property certificate

Unit: Yuan

Item	Book value	Reason for not receiving the property certificate
A-49 Residential Area, YEDA	23,216,200	Under transaction

### 7.15 Goodwill

#### 7.15.1 Original book value of goodwill

Unit: Yuan

Name of the invested unit or matter forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed by business merger	Other	Disposal	Other	
Etablissements Roulet Fransac	13,112,525					13,112,525
Dicot Partners, S.L	92,391,901					92,391,901
Societe Civile Agricole Du Chateau De Mirefleurs	15,761,440					15,761,440
Total	121,265,866					121,265,866

### 7.16 Long-term unamortized expenses

Unit: Yuan

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease	Ending balance
Land lease fees	57,846,986		719,453		57,127,533
Land acquisition fees	45,192,900		569,651		44,623,249
Afforestation fees	54,460,971		2,564,214		51,896,757
Renovation costs	1,091,579		109,158		982,421

Other	3,613,793	36,571	1,259,413		2,390,951
Total	162,206,229	36,571	5,221,889		157,020,911

## 7.17 Deferred income tax assets/liabilities

### 7.17.1 Un-offset deferred income tax assets

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	25,573,180	6,393,295	31,426,756	7,856,689
Unrealized profits from inter-company transactions	581,720,137	145,430,034	676,375,006	169,093,751
Deductible loss	201,373,978	50,343,495	176,273,380	44,068,345
Unpaid bonus	121,373,855	30,343,464	154,895,784	38,723,946
Dismissal welfare	12,102,449	3,025,612	13,115,948	3,278,987
Deferred income	108,512,201	24,308,890	112,939,126	25,230,521
Dealer's rebate withdrawn in advance			30,739,192	7,684,798
Total	1,050,655,800	259,844,790	1,195,765,192	295,937,037

### 7.17.2 Un-offset deferred income tax liabilities

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets appraisal appreciation in business merger under non-common control	79,944,206	21,852,738	90,877,162	24,908,410
Changes in fair value of available-for-sale financial assets				
Total	79,944,206	21,852,738	90,877,162	24,908,410

### 7.17.3 Details of unconfirmed deferred income tax assets

Unit: Yuan

Item	Ending balance	Beginning balance
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Deductible loss	163,790,074	135,957,252
Total	163,790,074	135,957,252

#### 7.17.4 Deductible losses of unconfirmed deferred income tax assets will expire in:

Unit: Yuan

Year	Ending sum	Beginning sum	Remark
2019	7,311,273	7,311,273	
2020	45,960,766	45,960,766	
2021	82,685,213	82,685,213	
2022	27,832,822		
Total	163,790,074	135,957,252	--

#### 7.18 Other non-current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Accounts receivable due to transfer of biological assets	17,590,912	17,352,239
Prepaid investments	317,654,642	
Total	335,245,554	17,352,239

#### 7.19 Short-term loans

##### 7.19.1 Classification of short-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	29,248,895	30,732,944
Guaranteed loan		
Fiduciary loan	817,632,180	631,655,938
Total	846,881,075	662,388,882

As at June 30, 2017, the pledge loan referred to the factoring business for accounts receivable of EUR 3,783,558 (equivalent to RMB 29,248,895 Yuan) that Hacienda y Vinedos Marques del Atrio, S.L.U. ("Marques del Atrio") transacted in such banks as Banco de Sabadell, S.A. (December 31, 2016: RMB 30,732,944 Yuan). There was no loan borrowed by pledge of fixed assets (December 31, 2016: RMB 0 Yuan).

**7.20 Bills payable**

Unit: Yuan

Type	Ending balance	Beginning balance
Trade acceptance		
Bank acceptance	8,000,000	38,900,000
Total	8,000,000	38,900,000

**7.21 Accounts payable****7.21.1 List of accounts payable**

Unit: Yuan

Item	Ending balance	Beginning balance
Within one year	396,891,500	544,128,280
From one year to two years	2,426,987	1,103,039
From two years to three years		
Over three years		
Total	399,318,487	545,231,319

**7.21.2 Significant accounts payable aged more than one year**

As at June 30, 2017, there were no significant accounts payable aged more than one year.

**7.22 Advances from customers****7.22.1 List of advances from customers**

Unit: Yuan

Item	Ending sum	Beginning sum
Within one year	312,184,976	419,382,071
From one year to two years	3,496,490	2,046,166
From two years to three years	2,031,043	108,748
Over three years	3,818,184	3,709,436
Total	321,530,693	425,246,421

**7.22.2 Advances from customers of significant amount aged more than one year**

As at June 30, 2017, the Company had no advances from customers of significant amount

aged more than one year.

## 7.23 Employee remunerations payable

### 7.23.1 List of employee remunerations payable

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Short-term remuneration	193,300,619	168,650,584	215,863,664	146,087,539
2. Post-employment welfare – defined contribution plan	15,167	23,191,201	22,418,536	787,832
3. Dismission welfare	13,115,948	509,648	1,523,147	12,102,449
4. Other welfare due within one year				
Total	206,431,734	192,351,433	239,805,347	158,977,820

### 7.23.2 List of short-term remunerations

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Salaries, bonuses, allowances and subsidies	197,486,176	145,975,433	192,297,973	151,163,636
2. Staff welfare	622,735	8,323,393	8,728,238	217,890
3. Social insurance charges	257,249	7,150,754	7,349,717	58,286
Including: Medical insurance	257,249	6,051,156	6,250,119	58,286
Injury insurance		731,205	731,205	
Maternity insurance		368,393	368,393	
4. Housing fund	37,672	5,527,361	5,551,521	13,512
5. Union fee and staff education fee	2,593,009	1,673,643	1,936,215	2,330,437
6. Short-term compensated				
7. Short-term profit-sharing plan				
8. Those divided into non-current liabilities	-7,696,222			-7,696,222
Total	193,300,619	168,650,584	215,863,664	146,087,539

**7.23.3 List of defined contribution plan**

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic endowment insurance	14,978	22,637,707	21,865,042	787,643
2. Unemployment insurance	189	553,494	553,494	189
3. Enterprise annuity payment				
Total	15,167	23,191,201	22,418,536	787,832

**7.23.4 Dismission welfare**

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Compensation for server of labor relation				
2. Compensation for early retirement	13,115,948	509,648	1,523,147	12,102,449
Total	13,115,948	509,648	1,523,147	12,102,449

**7.24 Taxes payable**

Unit: Yuan

Item	Ending balance	Beginning balance
Value added tax	22,378,198	23,496,328
Consumption tax	14,378,343	30,361,471
Corporate income tax	26,129,549	69,388,730
Individual income tax	6,598,508	7,811,301
Urban maintenance and construction tax	2,503,846	4,248,115
Property tax	435,805	1,071,223
Urban land use tax	2,488,965	2,651,262
Other	2,199,905	5,014,170
Total	77,113,119	144,042,600

**7.25 Dividends payable**

Unit: Yuan

Item	Ending balance	Beginning balance
Ordinary stock dividends		
Preferred stock dividends/sustainable debt dividends		

divided into equity instruments		
Other	703,430	
Total	703,430	

## 7.26 Other payables

### 7.26.1 Other payables listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
Distributor's deposit payable	157,985,200	128,539,352
Equipment purchase and construction costs payable	101,721,932	77,261,072
Transportation charges payable	12,110,825	36,690,764
Trademark use fees payable for Changyu Group Company	44,428,033	78,572,540
Advertising expenses payable	221,724,475	79,414,075
Dealer's rebate withdrawn in advance		30,739,192
Increased capital of minority shareholders (Note)	29,847,320	29,847,320
Employee cash deposit	19,226,564	16,296,186
Supplier's deposit payable	11,517,176	2,206,379
Contracting fees payable	37,079,817	31,011,929
Other	17,549,069	35,726,501
Total	653,190,411	546,305,310

### 7.26.2 Other significant accounts payable aged more than one year

Unit: Yuan

Item	Ending balance	Cause of unpayment or carry-over
Beijing Qinglang Ecological Agriculture Technology Development Co., Ltd.	23,983,072	The procedures for capital increase haven't been completed
Beijing Qinglang Ecological Agriculture Technology Development Co., Ltd.	13,766,549	The contracting fess haven't been settled
Yantai De'an Investment Co., Ltd.	5,864,248	The procedures for capital increase haven't been completed
Yantai De'an Investment Co., Ltd.	5,716,524	The contracting fess haven't been settled
Total	49,330,393	--



**7.27 Non-current liabilities due within one year**

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term loans due within one year	70,975,215	59,799,093
Long-term accounts payable due within one year	36,000,000	12,000,000
Total	106,975,215	71,799,093

**7.28 Other current liabilities**

Unit: Yuan

Item	Ending balance	Beginning balance
Deferred income	11,163,882	11,163,883
Total	11,163,882	11,163,883

**7.29 Long-term loans****7.29.1 Classification of long-term loans**

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	7,995,615	8,835,744
Guaranteed loan		
Fiduciary loan	167,274,965	40,304,811
Total	175,270,580	49,140,555

Description of the classification of long-term loans:

Item	Ending balance	Long-term loan due within one year	Long-term loan due over one year
Pledge loan			
Mortgage loan	10,778,415	2,782,800	7,995,615
Guaranteed loan			
Fiduciary loan	235,467,380	68,192,415	167,274,965
Total	246,245,795	70,975,215	175,270,580

As at June 30, 2017, the mortgage loan referred to the loan of EUR 1,394,361.55 (equivalent to RMB 10,778,415 Yuan) borrowed from Popular Español by Marques del Atrio which

mortgaged its fixed assets of EUR 3,812,130.38 (equivalent to RMB 29,467,767 Yuan) (December 31, 2016: RMB 11,466,192 Yuan).

### 7.30 Long-term accounts payable

#### 7.30.1 Long-term accounts payable listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
China Agricultural Development Key Construction Fund	269,000,000	293,000,000

In 2016, Agricultural Development Fund invested RMB 305,000,000 Yuan in the R&D Company, accounting for 37.9% of the registered capital. According to the investment agreement, it is agreed that Agricultural Development Fund will take back the investment fund in ten years and obtain fixed income according to year, which is 1.2% of the remaining principal. Except for the above fixed income, the Agricultural Development Fund shall not enjoy other profits of the R&D Company or bear the losses of the R&D Company. Accordingly, the investment of the Agricultural Development Fund in the R&D Company is equity investment nominally, which is debt investment in deed. This Company shall include the investment of the Agricultural Development Fund in long-term accounts payable measured by amortized cost.

### 7.31 Deferred income

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Forming reason
Governmental subsidy	112,939,126	1,300,000	5,726,925	108,512,201	
Minus: Those included in current liabilities	11,163,883			11,163,882	--
Non-current liabilities	101,775,243			97,348,319	--

### Projects related to governmental subsidy

Unit: Yuan

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Other changes	Ending balance	Related to assets/income
Transferred fund of Propaganda Department, Miyun County Committee	1,777,890		444,473		1,333,417	Related to assets
Grape bulk wine brewing project	6,174,300		717,942		5,456,358	Related to assets
Reward of investment in fixed assets	11,556,600		1,140,000		10,416,600	Related to assets
Industrial revitalization and technical transformation project in Xinjiang	18,486,000		711,000		17,775,000	Related to assets
Industrial revitalization and technical transformation project in Ningxia	4,381,000		1,647,500		2,733,500	Related to assets
Subsidy payment for wine grapes	376,000				376,000	Related to income
Modern agriculture-produced grape development subsidy	259,200				259,200	Related to income
Tourism development fund subsidy		500,000			500,000	Related to assets
Infrastructure construction fund	1,468,750	500,000	62,500		1,906,250	Related to assets
Construction project of Liaonong Changyu (Huanren) Pioneer Wine Co., Ltd. with the annual output of 10,000 tons of wine	4,000,000				4,000,000	Related to assets
Fund for water pollution treatment project	133,733	300,000	56,801		376,932	Related to income
Supporting fund for industrial development	41,000,000				41,000,000	Related to assets
Subsidy for economic and energy-saving technical transformation project	1,283,000				1,283,000	Related to assets
Electronic traceability system project of wine	3,859,365		333,527		3,525,838	Related to assets

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Other changes	Ending balance	Related to assets/income
Wine industry development project	930,000				930,000	Related to assets
Peninsula blue economic zone construction project	10,000,000				10,000,000	Related to assets
Scientific research fund subsidy of National 863 Plan	343,090				343,090	Related to income
Technical transformation project of information-based system construction engineering	4,060,000		290,000		3,770,000	Related to assets
Subsidy for project integrating IT application with industrialization	28,800				28,800	Related to income
Cross-border e-commerce project	1,485,797		63,182		1,422,615	Related to income
Auxiliary coloration research project of red wine phenolic substances	295,601				295,601	Related to income
Grape base construction project	1,040,000		260,000		780,000	Related to assets
Total	112,939,126	1,300,000	5,726,925		108,512,201	--
Minus: Those included in current liabilities	11,163,883				11,163,882	
Non-current liabilities	101,775,243				97,348,319	

### 7.32 Other non-current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Employee remunerations payable	7,696,222	7,696,222
Total	7,696,222	7,696,222

As at June 30, 2017, the employee remunerations payable referred to the job security deposit deducted from the year-end bonus of the employees higher than sales manager of the Company in proportion, which will be paid from 2018 to 2020 as predicted.

**7.33 Share capital**

Unit: Yuan

	Beginning balance	Increase or decrease (+,-) in this period					Ending balance
		Newly issued shares	Allocated shares	Share transferred from accumulation fund	Other	Subtotal	
Total shares	685,464,000						685,464,000

**7.34 Capital reserves**

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital premium (Share capital premium)	560,038,853			560,038,853
Other capital reserves	5,916,588			5,916,588
Total	565,955,441			565,955,441

**7.35 Other comprehensive income**

Unit: Yuan

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount incurred before income tax in this period	Minus: profit or loss in this period transferred from other comprehensive income before	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Other comprehensive income not to be reclassified into profit and loss later							
Including: change in net liabilities and net assets from recalculated defined benefit plan							
Share enjoyed in other comprehensive income not to be reclassified into profit and loss in							

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount incurred before income tax in this period	Minus: profit or loss in this period transferred from other comprehensive income before	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
invested unit under equity law							
2. Other comprehensive income to be reclassified into profit and loss later	-5,259,014	1,767,741			1,458,809	308,932	-3,800,205
Including: share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law							
Profit and loss from changes in fair value of financial assets for sale							
Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale							
Effective part of profit and loss of cash-flow hedge							
Difference in translation of Foreign Currency Financial Statement	-5,259,014	1,767,741			1,458,809	308,932	-3,800,205
Total other comprehensive income	-5,259,014	1,767,741			1,458,809	308,932	-3,800,205

### 7.36 Surplus reserves

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Legal surplus reserves	342,732,000			342,732,000
Free surplus reserves				
Reserve fund				
Enterprise expansion fund				
Other				

Total	342,732,000			342,732,000
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### 7.37 Undistributed profit

Unit: Yuan

Item	This period	Prior period
Undistributed profit at the end of prior period before adjustment	6,620,118,562	5,980,390,074
Total Undistributed profit at the beginning of the period before adjustment (increase listed with+ , and decrease listed with -)		
Undistributed profit at the beginning of the period after adjustment	6,620,118,562	5,980,390,074
Plus: Net profit for owner of the parent company	670,069,054	982,460,488
Minus: Drawn legal surplus		
Drawn free surplus		
Drawn common risk provision		
Common dividend payable		342,732,000
Common dividend transferred to share capital		
Undistributed profit at the end of period	7,290,187,616	6,620,118,562

### 7.38 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	2,761,797,479	921,629,225	2,748,285,416	899,973,878
Other business	5,300,718	4,124,908	4,747,383	2,760,226
Total	2,767,098,197	925,754,133	2,753,032,799	902,734,104

### 7.39 Taxes and surcharges

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Consumption tax	87,580,364	105,763,800
Urban maintenance and construction tax	30,288,028	24,721,309
Education surcharges	21,968,359	18,089,897
Building tax	9,993,265	
Land use tax	5,092,473	

Stamp duty	1,970,707	
Business Tax		1,175,187
Other	3,580,802	3,331,599
Total	160,473,998	153,081,792

## 7.40 Selling expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Advertising promotion expenses	353,792,438	332,116,022
Employee remunerations	115,463,193	104,719,946
Transportation expenses	64,053,872	66,063,407
Trademark use fees	44,428,033	46,273,367
Storage and lease expenses	27,357,293	39,026,546
Depreciation expenses	19,740,726	18,364,965
Service charges	6,734,393	5,651,106
Travel expenses	10,036,717	11,904,193
Water, electricity and gas charges	3,572,499	3,929,596
Office & postage costs	2,479,541	2,485,039
Packing expenses	3,140,528	3,114,989
Public security & clean-keeping expenses	2,532,418	1,883,752
Business entertainment expenses	1,190,071	761,988
Afforestation fees	1,342,117	1,571,035
Property management expenses	1,348,857	1,129,106
Other	11,523,030	11,742,177
Total	668,735,726	650,737,234

## 7.41 Management expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Employee remunerations	45,732,792	42,548,604
Depreciation expenses	28,996,760	21,005,970
Contracting expenses	10,086,436	9,241,885
Repair expenses	5,768,634	5,623,236
Office expenses	8,693,956	8,197,736



Amortization expenses	9,569,693	7,782,091
Afforestation fees	3,893,103	3,636,852
Rental expenses	5,095,023	4,259,474
Business entertainment expenses	2,562,180	2,639,867
Public security & clean-keeping expenses	2,787,735	2,574,552
Travel expenses	2,650,716	2,312,625
Other	4,705,358	12,872,953
Total	130,542,386	122,695,845

## 7.42 Financial expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Interest expenditure	15,042,038	15,830,699
Minus: Interest income	4,849,166	7,189,121
Plus: Commission charges	754,300	859,954
Exchange gain or loss	200,777	1,486,701
Total	11,147,949	10,988,233

## 7.43 Loss on impairment of assets

Item	Amount incurred in this period	Amount incurred in prior period
1. Loss on bad debts		
2. Inventory falling price loss	-5,853,576	
3. Loss on impairment of available-for-sale financial assets		
4. Loss on impairment of held-to maturity investment		
5. Loss on impairment of long-term equity investment		
6. Loss on impairment of investment real estate		
7. Loss on impairment of fixed assets		
8. Loss on impairment of engineering materials		
9. Loss on impairment of construction in progress		
10. Loss on impairment of productive biological assets		
11. Loss on impairment of oil and gas assets		

Item	Amount incurred in this period	Amount incurred in prior period
12. Loss on impairment of intangible assets		
13. Loss on impairment of goodwill		
14. Other		
Total	-5,853,576	0

## 7.44 Non-operating income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Total gains on disposal of non-current assets	156,600	94,567	156,600
Including: Gains on disposal of fixed assets	156,600	94,567	156,600
Gains on disposal of intangible assets			
Gains on debt recombination			
Gains on exchange of non-monetary assets			
Grains on donations			
Governmental subsidy	19,735,204	18,145,874	19,735,204
Other	3,412,401	3,693,085	3,412,401
Total	23,304,205	21,933,526	23,304,205

Governmental subsidies included in the current profit/loss:

Unit: Yuan

Item of subsidy	Amount incurred in this period	Amount incurred in prior period	Related to assets/income
Funds to support major projects	3,520,914	3,567,401	Related to assets
Funds to support small and medium-sized Enterprises	2,086,027	1,832,402	Related to assets
Tax returns	12,737,950	12,116,257	Related to income
Other	1,390,313	629,814	Related to income
Total	19,735,204	18,145,874	--

**7.45 Non-operating expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Total loss on disposal of	651,671	110,052	651,671
Including: Loss on disposal of fixed assets	651,671	110,052	651,671
Loss on disposal of intangible assets			
Loss on debt recombination			
Loss on exchange of non-monetary assets			
Donation		15,000	
Fine, penalty and overdue fine paid due to violation of laws and	170,997	165,589	170,997
Other	15,571	53,135	15,571
Total	838,239	343,776	838,239

**7.46 Income tax expenses****7.46.1 List of income tax expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior
Current income tax expenses	195,716,215	196,893,915
Deferred income tax expenses	33,036,575	41,821,566
Total	228,752,790	238,715,481

**7.46.2 Adjustment process of accounting profit and income tax expenses**

Unit: Yuan

Item	Amount incurred in this
Total profit	898,763,547
Income tax expenses calculated according to the legal/applicable tax rate	224,690,887
Influence of different tax rates applicable to subsidiary	-4,533,247
Influence of income tax in the term before adjustment	
Influence of nontaxable income	
Influence of non-deductible costs, expenses and losses	1,636,945

Influence of deductible loss from use of unconfirmed deferred income tax assets in prior period	
Influence of deductible temporary difference or deductible loss of unconfirmed deferred income tax assets in this period	6,958,205
Income tax expense	228,752,790

## 7.47 Other comprehensive income

See details in Note 7.35.

## 7.48 Items of cash flow statement

### 7.48.1 Other cash received related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Governmental subsidy income	1,570,329	506,015
Withdrawal of cash deposit for bills payable	30,900,000	21,870,000
Other	6,419,583	5,457,993
Total	38,889,912	27,834,008

### 7.48.2 Other cash paid related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Selling expenses	352,845,674	403,264,891
Administrative expenses	43,700,254	37,642,759
Refundable deposits	35,030,980	
Other	940,870	1,595,101
Total	432,517,778	442,502,751

### 7.48.3 Other cash paid related to investment activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Prepaid investment fund	317,654,642	
Total	317,654,642	

### 7.48.4 Other cash received related to financial activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Government subsidies received related to assets	1,000,000.00	
Interest income from pledge of fixed deposits by the R&D Company	303,473.00	
Total	1,303,473.00	

### 7.48.5 Other cash paid related to financial activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
R&D Company' long-term loans pledged by fixed-term deposits		20,000,000
Total		20,000,000

## 7.49 Supplementary information to cash flow statement

### 7.49.1 Supplementary information to cash flow statement

Unit: Yuan

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	670,010,757	695,669,860
Plus: Provision for impairment of assets	-5,853,576	
Depreciation of fixed assets, oil-and-gas assets and productive biological assets	132,923,630	93,458,092
Intangible assets amortization	9,588,347	6,945,803
Amortization of long term prepaid expenses	5,221,889	11,179,121
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with “—”)	495,071	15,486
Losses on retirement of fixed assets (profit listed with “—”)		
Losses on fair value change (profit listed with “—”)		
Financial costs (profit listed with “—”)	15,086,410	11,808,339
Investment losses (profit listed with “—”)		
Decrease in deferred income tax assets (increase listed with “-”)	36,092,247	42,610,501
Increase of deferred income tax liabilities (decrease	-3,055,672	-788,935

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
listed with “—”)		
Decrease in inventories (increase listed with “-”)	230,160,387	413,879,818
Decrease in operating receivables (increase listed with “-”)	-345,259,383	-395,702,109
Increase in operating payable (decrease listed with “-”)	-325,049,788	-196,327,607
Other		
Net cash flows from operating activities	420,360,319	682,748,369
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
Debt transferred into assets		
Convertible corporate bond due within 1 year		
Fixed assets under financing lease		
3. Net changes of cash and cash equivalent:	--	--
Ending balance of cash	1,229,487,903	1,643,935,054
Minus: Beginning balance of cash	1,256,942,304	1,092,241,661
Plus: Ending balance of cash equivalent		
Minus: Beginning balance of cash equivalent		
Net increase amount of cash and cash equivalent	-27,454,401	551,693,393

### 7.49.2 Composition of cash and cash equivalents

Unit: Yuan

Item	Ending balance	Beginning balance
1. Cash	1,229,487,903	1,643,935,054
Including: Cash on hand	112,832	189,184
Bank deposits on demand	1,229,375,071	1,643,745,870
Other monetary capital on demand		
Due from central bank available for payment		
Due from the industry		
Inter-bank lending		
2. Cash equivalents		
Including: Bond investment due within three months		
3. Balance of cash and cash equivalents at the end of period	1,229,487,903	1,643,935,054
Including: Restricted use of parent company or subsidiaries in the group		

**7.50 Assets with ownership or use right restrictions**

Unit: Yuan

Item	Ending book value	Reason for restriction
Monetary capital	119,579,877	Loan deposit, bill deposit, L/C deposit, frozen balance of Alipay, housing fund and guaranty money for deposit in unit card
Accounts receivable	29,248,895	Pledge of short-term loans
Fixed assets	69,535,906	Pledge of long-term loans and long-term accounts payable
Intangible assets	143,892,516	Pledge of long-term accounts payable
Total	362,257,194	--

**7.51 Foreign currency monetary items****7.51.1 Foreign currency monetary items**

Unit: Yuan

Item	Ending foreign currency balance	Translation exchange rate	Ending converted RMB balance
Monetary capital	--	--	7,606,956
Including: USD	675,534	6.7744	4,576,338
EUR	249,323	7.7496	1,932,154
HKD	1,265,657	0.8679	1,098,464
Long-term loans due within one year	--	--	15,499,200
Including: USD			
EUR	2,000,000	7.7496	15,499,200
HKD			

**7.51.2 Overseas operational entities**

The currency adopted by the overseas subsidiaries of the Company according to the main economic environment where the operation is located shall be chosen as the recording currency. Atrio Group and Francs Champs Participations SAS (“Francs Champs”) both use euro as the recording currency, and Indomita Chile uses peso as the recording currency. Atrio Group, Francs Champs and Indomita Chile didn’t have foreign currency assets and liabilities at the end of this period.

## 8. Changes in scope of consolidation

### 8.1 Changes in scope of consolidation due to other reasons

The new subsidiary company established in this period is listed as follows:

Full name of the invested unit	Registration and establishment date and place	Legal representative	Business nature	Registered capital	Investment amount
Yantai Changyu Wine Sales Co., Ltd.	January 18, 2017 Yantai City, Shandong Province, China	Zhou Hongjiang	Sales	RMB 5,000,000 Yuan	
Indomita Wine Company Chile, SpA	April 6, 2017 Santiago, Chile	WILFRED CHARLES LEIGH NIELSEN	Manufacturing industry	USD 1,000,000	USD 40,110,000

## 9. Equity in other entities

### 9.1 Equity in the subsidiaries

#### 9.1.1 Constitution of enterprise group

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Xinjiang Tianzhu (a)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	60%		Acquired from a business combination under non-common control
Frans Champs Participations	Cognac, France	Cognac, France	Trading		100%	Acquired from a business combination under non-common control
Mirefleurs	Bordeaux, France	Bordeaux, France	Trading		100%	Acquired from a business combination under non-common control
Marques del Atrio (b)	Navarra, Spain	Navarra, Spain	Sales	75%		Acquired from a business combination under non-common control
Beijing Changyu Wine Marketing Co., Ltd.	Beijing City, China	Beijing City, China	Sales	100%		Acquired by establishment or



Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
("Beijing Marketing")						investment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	100%		Acquired by establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd. ("Chateau Changyu") (c)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	70%		Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Co., Ltd. ("Jingyang Wine")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	100%		Acquired by establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd. ("Langfang Castel") (d)	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Manufacturing industry	39%	10%	Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales	10%	90%	Acquired by establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd. ("Langfang Sales")	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Sales	10%	90%	Acquired by establishment or investment
Shanghai Changyu Wine Marketing Co., Ltd. ("Shanghai Marketing")	Shanghai City, China	Shanghai City, China	Sales	30%	70%	Acquired by establishment or investment
Beijing Changyu AFIP Eco-agriculture Development Co., Ltd. ("Eco-agriculture Development")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu AFIP Wine Chateau Co., Ltd. ("Beijing Chateau") (e)	Beijing City, China	Beijing City, China	Manufacturing industry	70%		Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer	Yantai City, Shandong	Yantai City, Shandong	Sales	70%	30%	Acquired by

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
International Wine Co., Ltd. ("Pioneer International")	Province, China	Province, China				establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100%	Acquired by establishment or investment
Ningxia Growing	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Planting industry	100%		Acquired by establishment or investment
Huanren Changyu National Wine Sales Co., Ltd. ("National Wine")	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Sales	100%		Acquired by establishment or investment
Liaoning Changyu Icewine Chateau Co., Ltd. ("Icewine Chateau") (f)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Manufacturing industry	51%		Acquired by establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Shenzhen Changyu Wine Marketing Co., Ltd. ("Shenzhen Marketing")	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Sales		100%	Acquired by establishment or investment
Yantai Fushan District Changyu Trading Co., Ltd. ("Fushan Trading")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu AFIP International Conference Center Co., Ltd. ("Conference Center")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Service industry		100%	Acquired by establishment or investment
Beijing Changyu AFIP Tourism and Culture Co., Ltd. ("AFIP Tourism")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Tourist industry		100%	Acquired by establishment or investment
Changyu (Ningxia) Pioneer Wine Co., Ltd. ("Ningxia Wine")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Yantai Changyu Tinlot Chateau Co., Ltd. ("Tinlot Chateau")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Wholesale and retail	65%		Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Changyu (Qingtongxia) Wine Sales Co., Ltd. (“Qingtongxia Sales”)	Qingtongxia City, Ningxia Hui Autonomous Region, China	Qingtongxia City, Ningxia Hui Autonomous Region, China	Sales		35%	Acquired by establishment or investment
Shihezi Chateau	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry		100%	Acquired by establishment or investment
Chateau Changyu Moser XV Ningxia Co., Ltd. (“Ningxia Chateau”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Chateau Changyu Rena Shaanxi Co., Ltd. (“Chang’an Chateau”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	100%		Acquired by establishment or investment
R&D Company (g)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	100%		Acquired by establishment or investment
Changyu (Huanren) Pioneer Wine Co., Ltd. (“Huanren Wine”)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Wine making	62%		Acquired by establishment or investment
Xinjiang Changyu Wine Sales Co., Ltd. (“Xinjiang Sales”)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Sales	100%		Acquired by establishment or investment
Xinjiang Changyu Pioneer Wine Co., Ltd. (“Xinjiang Wine”)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry		100%	
Ningxia Changyu Trading Co., Ltd. (“Ningxia Trading”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd. (“Shaanxi Sales”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100%	Acquired by establishment or investment
Penglai Changyu Wine Sales Co., Ltd. (“Penglai Wine”)	Penglai City, Shandong Province, China	Penglai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Laizhou Changyu Wine Sales Co., Ltd. (“Laizhou Sales”)	Laizhou City, Shandong Province, China	Laizhou City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Francs Champs Participations SAS	Cognac, France	Cognac, France	Investment trade		100%	

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Lanzhou Changyu Wine Marketing Co., Ltd. (“Lanzhou Marketing”)	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales	100%		Acquired by establishment or investment
Beijing Changyu Trading Co., Ltd. (“Beijing Trading”)	Beijing City, China	Beijing City, China	Sales		100%	Acquired by establishment or investment
Tianjin Changyu Pioneer Wine Sales Co., Ltd. (“Tianjin Pioneer”)	Tianjin City, China	Tianjin City, China	Sales		100%	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. (“Fuzhou Pioneer”)	Fuzhou City, Fujian Province, China	Fuzhou City, Fujian Province, China	Sales		100%	Acquired by establishment or investment
Nanjing Changyu Pioneer Wine Co., Ltd. (“Nanjing Pioneer”)	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Sales		100%	Acquired by establishment or investment
Xianyang Changyu Pioneer Wine Sales Co., Ltd. (“Xianyang Pioneer”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100%	Acquired by establishment or investment
Shenyang Changyu Pioneer Wine Co., Ltd. (“Shenyang Pioneer”)	Shenyang City, Liaoning Province, China	Shenyang City, Liaoning Province, China	Sales		100%	Acquired by establishment or investment
Jinan Changyu Pioneer Wine Co., Ltd. (“Jinan Pioneer”)	Jinan City, Shandong Province, China	Jinan City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Shanghai Changyu Pioneer Wine Co., Ltd. (“Shanghai Pioneer”)	Shanghai City, China	Shanghai City, China	Sales		100%	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. (“Fuzhou Pioneer”)	Fuzhou City, Jiangxi Province, China	Fuzhou City, Jiangxi Province, China	Sales		100%	Acquired by establishment or investment
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd. (“Shijiazhuang Pioneer”)	Shijiazhuang City, Hebei Province, China	Shijiazhuang City, Hebei Province, China	Sales		100%	Acquired by establishment or investment
Hangzhou Yuzefeng Trading Co., Ltd. (“Hangzhou Yuzefeng”)	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100%	Acquired by establishment or investment
Jilin Changyu Pioneer Wine	Changchun City, Jilin	Changchun City, Jilin	Sales		100%	Acquired by

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Co., Ltd. ("Jilin Pioneer")	Province, China	Province, China				establishment or investment
Beijing Changyu Pioneer Wine Sales Co., Ltd. ("Beijing Pioneer")	Beijing City, China	Beijing City, China	Sales		100%	Acquired by establishment or investment
Harbin Changyu Pioneer Wine Sales Co., Ltd. ("Harbin Pioneer")	Harbin City, Heilongjiang Province, China	Harbin City, Heilongjiang Province, China	Sales		100%	Acquired by establishment or investment
Hunan Changyu Pioneer Wine Co., Ltd. ("Hunan Pioneer")	Changsha City, Hunan Province, China	Changsha City, Hunan Province, China	Sales		100%	Acquired by establishment or investment
Yinchuan Changyu Pioneer Wine Co., Ltd. ("Yinchuan Pioneer")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Kunming Changyu Pioneer Wine Co., Ltd. ("Kunming Pioneer")	Kunming City, Yunnan Province, China	Kunming City, Yunnan Province, China	Sales		100%	Acquired by establishment or investment
Chongqing Changyu Pioneer Wine Sales Co., Ltd. ("Chongqing Pioneer")	Chongqing City, China	Chongqing City, China	Sales		100%	Acquired by establishment or investment
Zhengzhou Changyu Pioneer Wine Co., Ltd. ("Zhengzhou Pioneer")	Zhengzhou City, Henan Province, China	Zhengzhou City, Henan Province, China	Sales		100%	Acquired by establishment or investment
Wuhan Changyu Pioneer Wine Co., Ltd. ("Wuhan Pioneer")	Wuhan City, Hubei Province, China	Wuhan City, Hubei Province, China	Sales		100%	Acquired by establishment or investment
Taiyuan Changyu Pioneer Wine Co., Ltd. ("Taiyuan Pioneer")	Taiyuan City, Shanxi Province, China	Taiyuan City, Shanxi Province, China	Sales		100%	Acquired by establishment or investment
Hohhot Changyu Pioneer Wine Co., Ltd. ("Hohhot Pioneer")	Hohhot City, Inner Mongolia Autonomous Region, China	Hohhot City, Inner Mongolia Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Chengdu Changyu Pioneer Wine Co., Ltd. ("Chengdu Pioneer")	Chengdu City, Sichuan Province, China	Chengdu City, Sichuan Province, China	Sales		100%	Acquired by establishment or investment
Nanning Changyu Pioneer Wine Co., Ltd. ("Nanning Pioneer")	Nanning City, Guangxi Zhuang Autonomous Region, China	Nanning City, Guangxi Zhuang Autonomous Region, China	Sales		100%	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Lanzhou Changyu Pioneer Wine Co., Ltd. ("Lanzhou Pioneer")	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales		100%	Acquired by establishment or investment
Yantai Roullet-Fransac Imported Wine Sales Co., Ltd. ("Yantai Roullet-Fransac")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Hefei Changyu Pioneer Wine Co., Ltd. ("Hefei Pioneer")	Hefei City, Anhui Province, China	Hefei City, Anhui Province, China	Sales		100%	Acquired by establishment or investment
Urumchi Changyu Pioneer Wine Co., Ltd. ("Urumchi Pioneer")	Urumchi City, Xinjiang Uygur Autonomous Region, China	Urumchi City, Xinjiang Uygur Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Guizhou Changyu Pioneer Wine Co., Ltd. ("Guizhou Pioneer")	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Sales		100%	Acquired by establishment or investment
Guangzhou Pioneer	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Sales		100%	Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd.	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	100%		Acquired by establishment or investment
Indomita Wine Company Chile, SpA ("Indomita Chile")	Santiago, Chile	Santiago, Chile	Manufacturing industry	85%		Acquired by establishment or investment

**Explanation for difference between the proportion of shareholding and proportion of voting power in the subsidiaries:**

(a) Xinjiang Tianzhu is a subsidiary of the Company obtained by merger and acquisition, whose 60% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Xinjiang Tianzhu by contract arrangement.

(b) On September 12, 2016, Atrio Group completed the internal reorganization, and Marques del Atrio absorbed and merged Atrio Group and its subsidiaries Enotec S.L., Hostaler I S.L., and Faustino Rivero Ulecia S.L. After the reorganization was completed, Marques del Atrio becomes the only existing company.

(c) Changyu Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, whose 70% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Changyu Chateau by contract arrangement. The contract arrangement will expire on December 31, 2022.

(d) Langfang Castel is a Sino-foreign joint venture established by the Company and a foreign investor, whose 49% of the shares are held by the Company and its subsidiaries. The Company exercises full control over the operation, investment and financing policies of Langfang Castel by contract arrangement. The contract arrangement will expire on December 31, 2022.

(e) Beijing Chateau is a limited liability company established by the Company and a domestic investor, whose 70% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Beijing Chateau by contract arrangement. The contract arrangement will expire on September 2, 2019.

(f) Icewine Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, whose 51% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Icewine Chateau by contract arrangement. The contract arrangement will expire on December 31, 2021.

(g) The R&D Company is a joint venture established by the Company and Agricultural Development Fund, whose 62% of the shares were held by the Company on December 31, 2016. As stated in Note 6.29, Agricultural Development Fund invested RMB 305,000,000 Yuan in the R&D Company in 2016, accounting for 37.9% of the registered capital. According to the investment agreement, it is agreed that Agricultural Development Fund will take back the investment fund in ten years and obtain fixed income according to year, which is 1.2% of the remaining principal. Except for the above fixed income, the Agricultural Development Fund shall not enjoy other profits of the R&D Company or bear the losses of the R&D Company. Accordingly, the investment of the Agricultural Development Fund in the R&D Company is equity investment nominally, which is debt investment in deed. This Company shall include the investment of the Agricultural Development Fund in long-term accounts payable measured by amortized cost. The Company exercises full control over the operation, investment and financing policies of the R&D Company by contract arrangement. The contract arrangement will expire on May 22, 2026.

### 9.1.2 Important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Shareholding proportion of minority shareholders	Profit/loss attributable to minority shareholders in this period	Dividend declared to be distributed to minority shareholders in this period	Balance of minority shareholder's interest at the end of period
Xinjiang Tianzhu	40%			56,093,912

Name of subsidiary	Shareholding proportion of minority shareholders	Profit/loss attributable to minority shareholders in this period	Dividend declared to be distributed to minority shareholders in this period	Balance of minority shareholder's interest at the end of period
Marques del Atrio	25%	999,164	703,430	30,995,051
Changyu Chateau	30%			12,365,016
Langfang Castel	51%			22,702,522
Beijing Chateau	30%			35,293,868
Icewine Chateau	49%			33,319,062

Explanation for difference between the proportion of shareholding and proportion of voting power of the minority shareholders in the subsidiaries:

See details in Note 9.1.

### 9.1.3 Main financial information of important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	97,483,520	73,823,603	171,307,123	42,113,184	5,336,114	47,449,297
Changyu Chateau	131,258,800	115,227,528	246,486,329	166,841,868		166,841,868
Langfang Castel	26,252,091	19,508,777	45,760,868	9,423,027		9,423,027
Beijing Chateau	48,208,788	493,716,806	541,925,594	369,185,634	444,473	369,630,106
Icewine Chateau	52,324,870	26,837,947	79,162,817	29,226,979	100,000	29,326,979
Marques del Atrio	310,540,839	125,052,023	435,592,862	212,482,019	98,966,712	311,448,731

Unit: Yuan

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities



Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	80,126,247	77,008,886	157,135,133	23,266,974	5,336,114	28,603,088
Changyu Chateau	173,934,285	116,396,690	290,330,975	210,904,481		210,904,481
Langfang Castel	26,528,622	19,890,293	46,418,915	10,233,932		10,233,932
Beijing Chateau	88,294,417	502,368,404	590,662,821	431,222,472	888,945	432,111,417
Icewine Chateau	38,239,653	27,545,615	65,785,268	13,756,944	100,000	13,856,944
Marques del Atrio	333,455,551	131,921,130	465,376,681	272,843,155	69,572,335	342,415,490

Unit: Yuan

Name of subsidiary	Amount incurred in this period				Amount incurred in prior period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Xinjiang Tianzhu	115,904,168	22,453,715	22,453,715	-7,275,404	71,414,395	8,855,720	8,855,720	10,345,022
Changyu Chateau	20,668,538	-106,018	-106,018	12,978,276	25,120,685	-1,835,054	-1,835,054	16,363,694
Langfang Castel	23,732,778	161,088	161,088	-137,422	23,893,566	1,141,604	1,141,604	8,003,926
Beijing Chateau	75,491,933	12,511,172	12,511,172	-37,040,335	96,780,881	22,140,264	22,140,264	19,711,484
Icewine Chateau	16,724,881	-2,063,324	-2,063,324	-1,416,775	16,400,216	-3,220,773	-3,220,773	-2,213,030
Marques del Atrio	131,223,890	-233,187	3,996,659	-31,616,566	138,454,701	2,677,035	4,336,228	-10,296,603

## 10. Risks related to financial instruments

The main financial instruments of the Group include monetary capital, bills receivable, accounts receivable, interest receivable, other receivables, available-for-sale financial assets, other non-current assets, short-term loans, bills payable, accounts payable, other payables, interest payable,

long-term accounts payable and long-term loans. Please refer to Note 6 of each financial instrument for the details. The risks related to these financial instruments and risk management policies adopted by the Group to reduce these risks are shown as follows. The management of the Group manages and monitors these risk exposures to ensure that the above-mentioned risks are controlled within a defined scope.

The Group adopts sensitivity analysis techniques to analyze the possible influence of possible reasonable changes of risk variables on the current profit and loss and shareholders' equity. Since any risk variable merely changes independently and the final influence of relevance between variables on the change of certain risk variable will exert a great effect, the following content is carried out under the hypothesis that each variable changes independently.

## **10.1 Risk management objective and policy**

The risk management objective of the Group is to achieve proper balance between risks and benefits, to minimize the negative influence of the risks on the business performance of the Group and to maximize the shareholders' benefit. Based on this risk management objective, the basic risk management strategy of the Group is to determine and analyze various risks faced by the Group, to set up proper risk tolerance bottom line and to carry out risk management, and to supervise various risks timely and reliably to control the risks within a defined scope.

### **10.1.1 Market risk**

#### **① Foreign exchange risk**

Foreign exchange risk refers to the risk that causes loss due to exchange rate fluctuation. The foreign exchange risk borne by the Group is mainly relevant to EUR, HKD and USD. Except that the overseas subsidiaries of the Group purchase and sale in EUR and except for loans of domestic subsidiaries in EUR, other main business activities of the Group are priced and settled in RMB. As at June 30, 2017, except that the assets and liabilities mentioned in the table below were the balance shown in EUR, HKD and USD, other assets and liabilities of the Group were all the balance shown in RMB. The foreign exchange risk caused by the assets and liabilities of such foreign currency balance may exert an influence on the business performance of the Group.

Unit: Yuan

Item	Ending balance	Beginning balance
Monetary capital (EUR)	1,932,154	566,182
Monetary capital (HKD)	1,098,464	192
Monetary capital (USD)	4,576,338	
Long-term loans due within one year (EUR)	15,499,200	29,227,200

The Group pays close attention to the influence of exchange rate fluctuation on the foreign exchange risk of the Group. The Group has not taken any measures to avoid the foreign exchange risk at present.

#### Sensitivity analysis of foreign exchange risk

With the other variables unchanged, the pre-tax influence of possible reasonable exchange rate fluctuation on current profit and loss and shareholders' equity is shown as follows:

Unit: Yuan

Item	Exchange rate fluctuation	This period	
		Influence on profit of this period	Influence on shareholders' equity
HKD	5% appreciation against RMB	54,923	54,923
HKD	5% depreciation against RMB	-54,923	-54,923
EUR	5% appreciation against RMB	-678,352	-678,352
EUR	5% depreciation against RMB	678,352	678,352
USD	5% appreciation against RMB	228,817	228,817
USD	5% depreciation against RMB	-228,817	-228,817

#### ② Interest rate risk – risk of change in cash flow

The risk of change in cash flow of financial instruments caused by interest rate change of the Group is mainly relevant to the monetary capital and long-term loan at floating interest rate. The policy of the Group is to maintain the floating interest rate of these loans to eliminate the risk of change in fair value of the interest rate.

Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the hypothesis that the change in market interest rate influences the interest income or expense of financial instruments at variable rate.

The management of the Group thinks that the interest rate risk of deposit in bank borne by the Group is not significant, and therefore the sensitivity analysis of interest rate of deposit in bank is not disclosed here.

On the basis of the above-mentioned hypothesis, with the other variables unchanged, the pre-tax influence of possible reasonable exchange rate fluctuation on current profit and loss and shareholders' equity is as follows:

Unit: Yuan

Item	Interest rate change	This period	
		Influence on profit of this period	Influence on shareholders' equity
Bank loan	Increase by 50 BP	-755,415	-755,415
Bank loan	Decrease by 50 BP	755,415	755,415

**10.1.2 Credit risk**

As at June 30, 2017, the largest credit risk exposure possibly causing the financial loss of the Group was mainly caused by the loss generated by the financial assets of the Group due to failure of another party of the contract in fulfilling obligations.

To lower the credit risk, the Group only trades with the recognized and reputable third party. In accordance with the policy of the Group, credit check shall be carried out for all customers requiring to adopt form of credit to trade. In addition, the Group conducts continuous monitoring on the balance of accounts receivable to ensure that the Group will not face major risk of bad debts. For transactions not settled with recording currency of relevant business units, unless the credit control department of the Group specially approves, the Group will not provide credit trade terms. In addition, the Group audits the collection of each single

significant account receivable on each date of balance sheet to ensure that sufficient bad-debt provision is accrued for accounts unable to be collected. Therefore, the management of the Group thinks the credit risk borne by the Group is greatly reduced.

Since the Group only trades with the recognized and reputable third party, no collateral is required. The credit risk is managed centrally according to the customer/counter-party, geographic area and industry. As at June 30, 2017, 28.0% of accounts receivable of the Group came from top five borrowers in accounts receivable of the Group (December 31, 2016: 26.3%). The Group holds no collateral or other credit enhancement for the balance of accounts receivable.

### 10.1.3 Liquidity risk

When managing the liquidity risk, the Group reserves and monitors the cash and cash equivalents the management considers sufficient to satisfy the operation need of the Group and reduce the influence of fluctuation in cash flow. The management of the Group monitors the use of bank loans and ensures to abide by the loan agreement.

### 10.1.4 Disclosure of fair value – fair value of financial assets and liabilities not measured by fair value

The management of the Group thinks that, as at June 30, 2017, the book value of financial assets and liabilities measured by amortized cost was close to the fair value thereof.

## 11. Related parties and related transactions

### 11.1 Particulars of the parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital	Proportion of shareholding of the parent company in the Company	Proportion of voting powers of the parent company in the Company
Changyu Group Company	Yantai City	Manufacturing industry	50,000,000	50.40%	50.40%

From January to June 2017, there was no fluctuation in the registered capital of the parent company and its share in equity interest and voting right.

## 11.2 Particulars of the subsidiaries of the Company

See particulars of the subsidiaries of the Company in Note 9.

## 11.3 Particulars of other related parties

Name of other related parties	Relationship between other related parties and the Company
Yantai Changyu Wine Culture Museum Co., Ltd. ("Wine Culture Museum")	A company controlled by the same parent company
Yantai Changyu Window of International Wine City Co. Ltd. ("Window of Wine City")	A company controlled by the same parent company
Yantai God Horse Packing Co., Ltd. ("God Horse Packing")	A company controlled by the same parent company
Yantai Zhongya Medical Health Wine Co., Ltd. ("Zhongya Medical")	A company controlled by the same parent company

## 11.4 Related transactions

### 11.4.1 Related transactions of purchasing and selling goods and providing and receiving services

List of purchasing goods/receiving services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
God Horse Packing	Purchasing goods	64,896,342	71,912,485
Zhongya Medical	Purchasing goods	10,700,788	5,550,205
Wine Culture Museum	Purchasing goods	6,319,776	4,636,495
Window of Wine City	Purchasing goods	231,879	296,652

List of selling goods/providing services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
Wine Culture Museum	Selling goods	4,252,962	7,663,340
Window of Wine City	Selling goods	5,642,914	5,002,597
Zhongya Medical	Selling goods	1,956,658	2,057,616
God Horse Packing	Selling goods	829,977	772,037

The price of transactions between the Group and the related parties are based on the negotiated price.

### 11.4.2 Related trusteeship/contracting and mandatory administration/outourcing

Nil

**11.4.3 Leasing with related parties**

The Company as a lessee:

Unit: Yuan

Name of the lessor	Type of leased assets	Rent recognized in this period	Rent recognized in prior period
Changyu Group Company	Warehouse and office building	3,775,362	2,929,000

Pursuant to a lease contract dated January 1, 2017 signed between the Company and Changyu Group Company, starting from January 1, 2017, the Company rents properties to Changyu Group Company for operation purposes at a basic annual rental of RMB 1,464,500 Yuan, and the expired date of the contract is December 31, 2021. From January to June 2017, the rental expenses recognized by the Company to Changyu Group Company amounted to RMB 732,250 Yuan.

Pursuant to a lease contract dated January 1, 2017 signed between the Group and Changyu Group Company, starting from January 1, 2017, the Company rents properties to Changyu Group Company for operation purposes at a basic annual rental of RMB 4,393,500 Yuan, and the expired date of the contract is December 31, 2021. From January to June 2017, the rental expenses recognized by the Group to Changyu Group Company amounted to RMB 2,196,750 Yuan.

Pursuant to a lease contract dated January 1, 2016 signed between the Group and Changyu Group Company, starting from January 1, 2016, the Group rents properties to Changyu Group Company for operation purposes at a basic annual rental of RMB 1,692,724 Yuan, and the expired date of the contract is December 31, 2020. From January to June 2017, the rental expenses recognized by the Group to Changyu Group Company amounted to RMB 846,362 Yuan.

**11.4.4 Guarantee with related parties**

Nil

**11.4.5 Inter-bank borrowing and lending of related parties**

Nil

**11.4.6 Asset transfer and debt recombination of related parties**

Nil

**11.4.7 Other related transactions**

Item	Note	Amount incurred in this period	Amount incurred in prior period
Trademark use fee	(a)	44,428,033	46,273,367
Patent fee	(b)	25,000	25,000

The price of transactions between the Group and the related parties is based on the negotiated price.

(a) Trademark royalty contract

Pursuant to a trademark royalty contract dated May 18, 1997 signed between the Company and Changyu Group Company, starting from September 18, 1997, the Company may use certain trademark of Changyu Group Company, which has been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Company's annual specific sales is payable to Changyu Group Company by the Company. The contract is effective until the expiry of the registration of the trademark. From January to June 2017, the trademark royalty fee paid to related parties by the Group accounted for 100% of the trademark royalty fee in the Group.

(b) Patent implementation license contract

Pursuant to a patent implementation license contract dated May 18, 1997 signed between the Company and Changyu Group Company, starting from September 18, 1997, the Company may use the patented technologies of Changyu Group Company. The annual patent usage fee payable by the Company to Changyu Group Company was RMB 50,000 Yuan. The contract was expired on December 20, 2005. After the patent implementation license contract signed on August 20, 2006 expires, the Company renewed the contract on August 20, 2016 for 10 year, which should pay the patent royalty of RMB 50,000 Yuan to Changyu Group Company annually as before. From January to June 2017, the patent royalty payable by the Company to Changyu Group Company amounted to RMB 25,000 Yuan.

From January to June 2017, the patent fees paid to related parties by the Group accounted for 100% of the patent fees in the Group.

## 11.5 Accounts receivable and payable of the related parties

### 11.5.1 Accounts receivable

Unit: Yuan

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Zhongya Medical	4,719,638		3,913,997	
Accounts receivable	God Horse Packing	292,284		50,700	
Accounts receivable	Window of Wine City	908,898.20		1,833,273	
Accounts receivable	Wine Culture Museum	218,054		876,724	



## 11.5.2 Accounts payable

Unit: Yuan

Item	Related parties	Ending book balance	Beginning book balance
Accounts payable	God Horse Packing	26,294,501	59,058,023
Accounts payable	Zhongya Medical	3,614,343	4,328,184
Accounts payable	Wine Culture Museum	2,011,234	3,038,520
Accounts payable	Window of Wine City	131,531	619,578
Other accounts payable	Changyu Group Company	42,324,395	78,572,540

## 12. Commitment and contingency

### 12.1 Significant commitment

Unit: Yuan

Item	Ending balance	Beginning balance
Capital commitment	1,134,630,000	1,508,310,000

### 12.2 Contingency

By the balance sheet date, the Group and the Company didn't have any undisclosed contingency to be disclosed.

## 13. Matters after balance sheet

### 13.1 Important non-adjusting events

Nil

### 13.2 Profit distribution

Unit: Yuan

Profits or dividends to be distributed	342,732,000
Allocated profits or dividends approved to declare upon discussion	342,732,000

According to the decision of the Shareholders' Meeting dated June 15, 2017, based on the issued capital stock of 685,464,000 shares in 2016, the Company allocated RMB 5 Yuan in cash (including tax) for every 10 shares to all shareholders with the total cash dividends of RMB 342,732,000 Yuan. Such cash dividends were distributed on July 11, 2017.

## 14. Other important matters

Nil

## 15. Notes on major items in financial statements of the parent company

### 15.1 Accounts receivable

#### 15.1.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance	Beginning balance
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	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable of significant single amount and single accrued bad debt provision										
Accounts receivable accrued bad debt provision by credit risk features										
Accounts receivable of insignificant single amount and single accrued bad debt provision	1,838,244	100%			1,838,244	3,326,683	100%			3,326,683
Total	1,838,244	100%			1,838,244	3,326,683	100%			3,326,683

### 15.1.2 Bad debt provision accrued, received or transferred back in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that received or transferred back in this period was RMB 0 Yuan.

### 15.1.3 Accounts receivable actually canceled after verification in this period

Nil

### 15.1.4 Accounts receivable collected by the borrower of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Relationship with the Company	Amount	Age	Percentage in total accounts receivable (%)
Yantai Zhongya Medical Health Wine Co., Ltd. (merged)	Other related party of the Company	1,516,026		82.5%
Yantai Huibao Artware Manufacturing Co., Ltd.	Third party	322,218		17.5%
Total		1,838,244		100.0%

### 15.1.5 Accounts receivable derecognized due to transfer of financial assets

Nil

**15.1.6 Accounts receivable transferred and included in assets and liabilities**

Nil

**15.2 Other accounts receivable****15.2.1 Other accounts receivable disclosed by type**

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Other accounts receivable of significant single amount and single accrued bad debt provision	3,529,544,186	99.7%			3,529,544,186	3,572,802,092	99.7%			3,572,802,092
Other accounts receivable accrued bad debt provision by credit risk features										
Other accounts receivable of insignificant single amount and single accrued bad debt provision	10,166,247	0.3%			10,166,247	9,730,770	0.3%			9,730,770
Total	3,539,710,433	100%			3,539,710,433	3,582,532,862	100%			3,582,532,862

**15.2.2 Bad debt provision accrued, received or transferred back in this period**

The bad debt provision accrued in this period was RMB 0 Yuan; and that received or transferred back in this period was RMB 0 Yuan.

**15.2.3 Other accounts receivable classified by nature**

Unit: Yuan

Nature of fund	Ending book balance	Beginning book balance
Accounts receivable of subsidiaries	3,538,441,877	3,580,805,532
Deposit and guaranty money receivable		8,000
Other	1,268,556	1,719,330
Total	3,539,710,433	3,582,532,862

### 15.2.4 Other accounts receivable collected by the borrower of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Nature of fund	Ending balance	Age	Percentage in the total ending balance of other accounts receivable	Ending balance of bad debt provision
Chang'an Chateau	Internal incomings and outgoings	755,392,258	Within 2 years	21.3%	
Sales Company	Internal incomings and outgoings	618,992,851	Within 2 years	17.5%	
Ningxia Chateau	Internal incomings and outgoings	439,733,913	Within 2 years	12.4%	
R&D Company	Internal incomings and outgoings	418,182,216	Within 2 years	11.8%	
Beijing Chateau	Internal incomings and outgoings	300,371,955	Within 2 years	8.5%	
Total	--	2,532,673,193	--	71.5%	

### 15.2.5 Accounts receivable related to governmental subsidy

Nil

### 15.2.6 Other accounts receivable derecognized due to transfer of financial assets

Nil

### 15.2.7 Other accounts receivable transferred and included in assets and liabilities

Nil

## 15.3 Long-term equity investment

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	2,108,589,655		2,108,589,655	1,834,341,541		1,834,341,541
Investment in associated enterprises and joint ventures						
Total	2,108,589,655		2,108,589,655	1,834,341,541		1,834,341,541

### 15.3.1 Investment in subsidiaries

Unit: Yuan

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment in this period	Ending balance of impairment provision
Xinjiang Tianzhu (a)	60,000,000			60,000,000		
Kylin Packaging	23,176,063			23,176,063		
Changyu Chateau (a)	28,968,100			28,968,100		
Pioneer International (b)	3,500,000			3,500,000		
Ningxia Growing	1,000,000			1,000,000		
National Wine	2,000,000			2,000,000		
Icewine Chateau (a)	30,440,500			30,440,500		
Beijing Chateau (a)	77,000,000			77,000,000		
Sales Company	7,200,000			7,200,000		
Langfang Sales (b)	100,000			100,000		
Langfang Castel (a)	19,835,730			19,835,730		
Wine Sales	4,500,000			4,500,000		
Shanghai Marketing (b)	300,000			300,000		
Beijing Marketing	850,000			850,000		
Jingyang Sales (b)	100,000			100,000		
Jingyang Wine (b)	900,000			900,000		
Ningxia Wine	1,000,000			1,000,000		
Ningxia Chateau	2,000,000			2,000,000		
Tinlot Chateau (b)	80,000,000			80,000,000		
Shihezi Chateau	550,000,000			550,000,000		
Chang'an Chateau	20,000,000			20,000,000		
R&D Company (a)	500,000,000			500,000,000		
Huanren Wine	11,000,000			11,000,000		
Francs Champs	220,320,604			220,320,604		
Marques del Atrio	190,150,544			190,150,544		
Indomita Chile		274,248,114		274,248,114		
Total	1,834,341,541	274,248,114		2,108,589,655		

## 15.4 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	445,339,324	387,600,176	648,652,597	495,598,413
Other business	386,481,179	350,350,202	6,646,403	5,714,186
Total	831,820,503	737,950,378	655,299,000	501,312,599

## 15.5 Investment income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Income from long-term equity investment by cost method	66,127,980	683,891,453
Income from long-term equity investment by equity method		
Investment income from disposal of long-term equity investment		
Investment income of the financial assets measured at their fair values and the variation of which is recorded into the current profit and loss during the holding period		
Investment income gained from disposal of the financial assets measured at their fair values and the variation of which is recorded into the current profit and loss		
Investment income of held-to-maturity investment during the holding period		
Investment income of financial assets held for sale during the holding period		
Investment income gained from disposal of financial assets held for sale		
Gains generated from the remaining equity remeasured as per fair value after the loss of control		
Total	66,127,980	683,891,453

## 16. Supplementary materials

### 16.1 List of non-current profits/losses in this period

Unit: Yuan

Item	Amount	Remark
Profits/losses on disposal of non-current assets	-495,071	
Tax return, deduction and exemption approved beyond the authority or without formal approval document	12,737,950	
Governmental subsidy included in the current profits/losses (excluding those closely related to the enterprise business and enjoyed in accordance with the unified standard quota or ration of the state)	6,997,254	
Payment for use of funds by non-financial enterprises included in the current profits/losses		
Income obtained when the investment cost obtained by the enterprise from subsidiaries, joint-run business and joint venture is less than the fair value of the net identifiable assets obtained from the invested units when the investment is made		
Profits/losses on exchange of non-monetary assets		
Profits/losses on entrusting other people to make investment or manage assets		
Asset impairment provision accrued due to force majeure such as natural disaster		
Profits/losses on debt restructuring		
Enterprise reorganization expenses such as staffing expenditure and integration expenses, etc.		
Profits/losses on those beyond the fair value generated from transactions with unfair transaction price		
Current net profits/losses on subsidiaries acquired from a business combination under common control from the beginning to the consolidation date		
Profits/losses on contingencies unrelated to the normal business of the Company		
Profits/losses on changes of fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and		

Item	Amount	Remark
financial assets held for sale, excluding effective hedging operations relevant to the normal business of the Company		
Returns of provision for impairment of accounts receivable with single impairment test		
Profits/losses on external entrusted loans		
Profits/losses on fair value changes of investment real estate with fair value mode for follow-up measurement		
Influence of the one-time adjustment of the current profits/losses in accordance with tax and accounting laws and regulations on the current profits/losses		
Trustee fee income from entrusted operation		
Other non-operating income and expenditure besides the above items	3,225,833	
Other profits/losses conforming to the definition of non-current profits/losses		
Minus: Influenced amount of income tax	5,303,287	
Influenced amount of minority shareholders' equity		
Total	17,162,679	--

## 16.2 Return on net assets and earnings per share

Profit incurred in this period	Weighted average return on net assets	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	7.84%	0.98	0.98
Net profit attributable to common shareholders of the Company deducting non-incidental profits/losses	7.64%	0.95	0.95

## 16.3 Accounting data difference under domestic and foreign accounting standard

### 16.3.1 Net profits & net assets difference disclosed in the financial report according to the international accounting standard and Chinese accounting standard

Unit: Yuan

	Net profits		Net assets	
	Amount incurred in this period	Amount incurred in prior period	Ending balance	Beginning balance



In accordance with the Chinese accounting standard	670,069,054	695,021,847	8,880,538,852	8,209,010,989
Item & amount adjusted in accordance with the international accounting standard:				
In accordance with the international accounting standard	670,069,054	695,021,847	8,880,538,852	8,209,010,989

## **XI. Reference Documents**

- (1) The original of 2017 Semi-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**

**29<sup>th</sup> August, 2017**