



ANHUI GUJING DISTILLERY COMPANY LIMITED

ANNUAL REPORT 2017



April 2018

Part I Important Notes

The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of Anhui Gujing Distillery Company Limited (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report.

Liang Jinhui, the Company’s legal representative, Ye Changqing, the Company’s Chief Accountant, and Zhu Jiafeng, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All the Company’s Directors have attended the Board meeting for the review of this Report.

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as absolute promises of the Company to investors. Investors, among others, shall be sufficiently aware of the risk and shall differentiate between plans/forecasts and promises. Again, investors are kindly reminded to pay attention to possible investment risks.

The Board has considered and approved the following dividend payout proposal for common shareholders for the Reporting Period: based on the Company’s total shares on December 31, 2017, a cash dividend of RMB10.00 (tax inclusive) per 10 shares should be distributed to all the common shareholders, with no share dividend converted either from retained earnings or from capital reserves.

This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.



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Definitions

| Term | Definition |
|--|---|
| The “Company”, “ Gu Jing” or “we” | Anhui Gujing Distillery Company Limited inclusive of its consolidated subsidiaries, except where the context otherwise requires |
| Parent, Parent Company | Anhui Gujing Distillery Company Limited exclusive of subsidiaries, except where the context otherwise requires |
| Gujing Group | Anhui Gujing Group Co., Ltd. |
| Yellow Crane Tower | Wuhan Pride Yellow Crane Tower Distillery Co., Ltd. |
| The “Reporting Period” or “Current Period” | The period from January 1, 2017 to December 31, 2017 |
| RMB, RMB’0,000 | In RMB yuan, in RMB ten thousand yuan |

Part II Company Profile and Key Financial Information

I Corporate Information

| | |
|----------------------------------|--|
| Stock name | Gujing Distillery, Gujing Distillery B |
| Stock symbol | 000596, 200596 |
| Stock exchange | Shenzhen Stock Exchange |
| Company name in Chinese | 安徽古井贡酒股份有限公司 |
| Abbr. | 古井 |
| Company name in English (if any) | ANHUI GUJING DISTILLERY COMPANY LIMITED |
| Abbr. (if any) | GU JING |
| Legal representative | Liang Jinhui |
| Registered address | Gujing Town, Bozhou City, Anhui Province, P.R.China |
| Zip code | 236820 |
| Office address | Gujing Town, Bozhou City, Anhui Province, P.R.China |
| Zip code | 236820 |
| Company website | http://www.gujing.com |
| Email address | gjzqb@gujing.com.cn |

II Contact Information

| | Board Secretary | Securities Representative |
|---------------|--|--|
| Name | Ye Changqing | Mei Jia |
| Address | Gujing Town, Bozhou City, Anhui Province, P.R.China | Gujing Town, Bozhou City, Anhui Province, P.R.China |
| Tel. | (0558) 5712231 | (0558) 5710057 |
| Fax | (0558) 5710099 | (0558) 5710099 |
| Email address | gjzqb@gujing.com.cn | gjzqb@gujing.com.cn |

III Media for Information Disclosure and Place where this Report Is Kept

| | |
|---|--|
| Newspapers designated by the Company for information disclosure | China Securities Journal, Shanghai Securities News, Ta Kung Pao (HK) |
| Website designated by CSRC for publication of this Report | http://www.cninfo.com.cn |
| Place where this Report is kept | The Board Secretary's Office |

IV Company Registered Information and Alterations

| | |
|---|--------------------|
| Unified social credit code | 913400001519400083 |
| Alterations to main business scope of the Company since going public (if any) | No alterations |
| Alterations to controlling shareholder (if any) | No alterations |

V Other Information

The independent certified public accounting (or “CPA”) firm hired by the Company:

| | |
|--------------------------------|---|
| Name | Ruihua Certified Public Accountants LLP |
| Office address | 5-11 F, West Tower, China Overseas Property Plaza, Building No. 7, Courtyard No. 8, Xi Binhe Road, Yong Ding Men, Dong Cheng District, Beijing, China |
| Accountants writing signatures | Zhang Liping, Zhang Xianfa |

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

VI Key Financial Information

Indicate by tick mark whether the Company retrospectively restated any of its accounting data due to changes of accounting policies or correction of accounting errors.

☐ Yes ☒ No

| | 2017 | 2016 | 2017-over-2016 change | 2015 |
|--|------------------|------------------|--------------------------|------------------|
| Sales revenue (RMB) | 6,968,325,048.55 | 6,017,143,660.56 | 15.81% | 5,253,411,479.40 |
| Net income attributable to shareholders of the listed company (RMB) | 1,148,740,644.93 | 829,630,063.38 | 38.46% | 715,578,369.68 |
| Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB) | 1,069,457,368.70 | 792,534,098.54 | 34.94% | 682,760,794.86 |
| Net cash flows from operating activities (RMB) | 930,914,712.78 | 1,183,231,808.06 | -21.32% | 790,109,535.01 |
| Basic earnings per share (RMB/share) | 2.28 | 1.65 | 38.18% | 1.42 |

| | | | | |
|---|-------------------|-------------------|--|-------------------|
| Diluted earnings per share (RMB/share) | 2.28 | 1.65 | 38.18% | 1.42 |
| Weighted average return on equity (%) | 19.09% | 15.88% | 3.21% | 15.91% |
| | December 31, 2017 | December 31, 2016 | Change of December 31, 2017 over December 31, 2016 | December 31, 2015 |
| Total assets (RMB) | 10,152,862,119.05 | 8,736,205,153.86 | 16.22% | 7,183,147,641.13 |
| Equity attributable to shareholders of the listed company (RMB) | 6,459,078,378.38 | 5,595,121,383.96 | 15.44% | 4,833,721,630.08 |

VII Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Income and Equity Differences under CAS and IFRS

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

2. Net Income and Equity Differences under CAS and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

| | Q1 | Q2 | Q3 | Q4 |
|--|------------------|------------------|------------------|------------------|
| Sales revenue | 2,173,056,581.04 | 1,497,071,183.55 | 1,673,566,893.29 | 1,624,630,390.67 |
| Net income attributable to shareholders of the listed company | 407,764,742.43 | 141,125,149.22 | 248,593,418.78 | 351,257,334.50 |
| Net income attributable to shareholders of the listed company before nonrecurring gains and losses | 356,588,955.68 | 127,366,058.44 | 245,301,628.24 | 340,200,726.34 |
| Net cash flows from operating activities | 648,773,393.57 | -223,408,169.49 | 746,820,198.07 | -241,270,709.37 |

Indicate by tick mark whether any of the financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or semi-annual reports.

☐ Yes ☒ No

IX Nonrecurring Gains and Losses

√ Applicable □ Not applicable

Unit: RMB

| Item | 2017 | 2016 | 2015 | Note |
|--|----------------|---------------|---------------|------|
| Gains and losses on disposal of non-current assets (inclusive of offset allowance for asset impairments) | -10,659,063.45 | -6,319,619.72 | -990,695.19 | |
| Government subsidies charged to current profit and loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards) | 34,257,968.39 | 25,336,275.56 | 19,931,320.03 | |
| Gains and losses on changes in fair value of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business) | 54,544,637.44 | 16,263,956.97 | 7,842,274.38 | |
| Reversed portion of impairment allowance for accounts receivable which are tested individually for impairment | 491,989.18 | 0.00 | 0.00 | |
| Non-operating revenue and expense other than above | 27,140,455.30 | 14,343,655.95 | 16,973,709.12 | |
| Less: Income tax effects | 25,366,619.70 | 12,229,198.63 | 10,939,033.52 | |
| Non-controlling interests effects (net of tax) | 1,126,090.93 | 299,105.29 | 0.00 | |
| Total | 79,283,276.23 | 37,095,964.84 | 32,817,574.82 | -- |

Explanation of why the Company classifies an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassifies any nonrecurring gain/loss item listed in the said explanatory announcement as a recurring gain/loss:

□ Applicable √ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Main Business Scope of the Company in Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

The Company primarily produces and markets distilled spirits.

As one of China's traditional top eight liquor brands, the Company is the first distilled spirit listed company with both A and B stocks. It is located in Bozhou City, Anhui Province in China, the hometown of historic figures Cao Cao and Hua Tuo, as well as one of the world's top 10 liquor-producing areas. No changes have occurred to the main business of the Company in the Reporting Period. As the main product of the Company, the Gujing spirit originated as a "JiuYunChun Spirit", together with its making secrets, being presented as a hometown specialty by Cao Cao, a famous warlord in China's history, to Emperor Han Xiandi (name: Liu Xie) in A.D. 196, and was continually presented to the royal house since then. With crystalline liquid, rich aroma, a fine flavor and a lingering aftertaste, the Gujing spirit has helped the Company win four national distilled spirit golden awards, a golden award at the 13th SIAL Paris, the title of China's "Geographical Indication Product", the recognition as a "Key Cultural Relics Site under the State Protection", the recognition with a "National Intangible Cultural Heritage Protection Project", a Quality Award from the Anhui provincial government, a title of "National Quality Benchmark", among other honors.

In recent years, China's top liquor companies have basically finished adjusting their teams, strategies, products, etc., and are experiencing a continuous, strong recovery relying on their superior brand influence and product quality. The big picture for the liquor industry has taken shape. Regional small and medium liquor producers are in face of a reshuffle, while regionally famous liquor brands are busy dealing with competition from both larger and smaller fellow companies. As such, the liquor industry has entered a new normal.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Not applicable.

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

No significant changes occurred to the core competitiveness of the Company in the Reporting Period.

Part IV Company Performance Discussion and Analysis

I Overview

In 2017, upholding the values of “Be Honest, Offer Quality Spirits, Be Stronger and Be Helpful to the Society”, the Company effectively implemented its “Distilled Spirits 5.0” strategy and “Five-Star Operational Capability” strategy to improve its corporate governance. As a result, its various operating objectives have been successfully fulfilled and its operational capability is improving.

For 2017, the Company recorded sales revenue of RMB6.968 billion, up 15.81% compared to 2016; pretax income of RMB1.612 billion, a 40.10% year-over-year increase; net income attributable to the Parent Company of RMB1.149 billion, rising 38.46% from the year earlier; earnings per share of RMB2.28, 38.18% higher than 2016; and net operating cash flows of RMB931 million, going down 21.32% on a year-over-year basis.

1. Put forward market construction steadily and improved brand influence continuously

(1) Focused on the development of main distilled spirits business and the operation of "dual brands", and plotted nationalized layout. Continued to consolidate the advantages of Anhui market; continuously expanded Henan market, focused on the market potential of the area; plotted strategic node market layout.

(2) Focused on consumption market, continuously deepened "Three-Connection Project", put priority on consumption cultivating, ensured benign market development; continuously optimized sales organization structure, implemented decentralization to activate development vitality, defined distinct responsibility and rights, conducted delayering, executed flat management, raised market reaction rate.

(3) Further optimized the product system. Launched aged original spirits exploit pool, traditional 7 & 8 Chinese aged original spirits, Gujing Distillery 1979/1963, 37°C Bo JU (minus) etc.

(4) Continuously improved brand influence. Focused on various national media such as CCTV, established the brand resonance circle of Hubei, Henan and Anhui. Continued to cooperate with CCTV Spring Festival Evening Gala, made an appointment at the World Expo, and participated in international brand activities. The brand "Yellow Crane Tower" is awarded "China Famous Brand". The brand value of Gujing Distillery reaches RMB 63.85 billion.

2. Adopted innovation management tool and method to improve scientific and technological innovation level

(1) Explored internal marketization, generated endogenous power. Brought forth new ideas in purchase, logistics and production mode. Optimized organization structure and talent allocation, boosted the work shift among talented people at every level; focused on "developing the enterprise via masters and experts", strengthened the cooperation with universities, research institutes and professional training organizations, and built a multi-layer, multi-channel, multi-system and multi-mode employee studying and training platform.

(2) Increased scientific and technological innovation, achieved striking scientific research achievements. The National Distilled Spirits Health Research Institute, being the first professional Distilled Spirits health research institution in China, was established. The whole life cycle quality control system was put into operation and thus a whole life cycle quality tracing chain is formed. 1 scientific research achievement was identified by China National Light Industry Council. 2 local standards of Anhui Province were approved and released successfully. The place of origin of Gujing Spirits is Bozhou, one of the World's Top Ten Spirits Producing Areas named by China Alcoholic Drinks Association. The Company won the title of "2017 National Intellectual Property Demonstration Enterprise".

3. With the users as the center, enhanced informatization construction and application

The Company has completed the informationalized basic architecture of the call center +CRM system, operation network, online Gujing and business process management (BPM), built the unified guidance platform, connected online and offline system, guided one-stop experiential consumption; built personalized experience center and experience service platform, and provided the users with experience and service of one-stop application and consumption.

4. Strengthening the Party's leadership of ideology and deeply carrying out the institutionalization and normalization of "Two learn one to do learning education"

(1) The Company has established the work aim of "establishing, revitalizing and stabilizing the enterprise through Party building", the work policy of "undertaking Party building by centering around operation and promoting the development by undertaking Party building" and the Party building strategy of "integration of Party governance", intensified the decision making about "three important matters and one large matter", insisted on the principle of the Party assuming the responsibility for cadres' affairs, strengthened the Party's management and supervision of cadres, stuck to the employment standard of "good character, good ability, diligence and honesty", continuously deepened the reform of cadres selection and appointment system and carried forward the normalization of strict management of cadres.

(2) The Company has steadily carried out the Party's mass line education practice activity, the educational activities themed with "three-strict and three-honest", the learning and education activities themed with "Two learn one to do learning education", the educational activities themed with "stressing politics, emphasizing rules and setting an example" and thus greatly improved the work style and mental outlook of all Party members and management personnel.

5. Pressure and weaknesses in the Company during the Reporting Period

(1) Pressure of the obviously intensified concentration ratio of the industry, increased development speed of leading distilled spirits enterprises, aggravated competition situation, more significant differentiation.

(2) Insufficient brand pull-power and resources-driven pressure-fed growth.

(3) Insufficient endogenous power and poor talent structure of the enterprise.

II Analysis of Main Business

1. Summary

See relevant contents of "I Overview" in "Management Discussion and Analysis", herein.

2. Revenue and Cost

(1) Breakdown of Sales Revenue

Unit: RMB

| | 2017 | | 2016 | | Change |
|-----------------------|------------------|---------------------------------------|------------------|---------------------------------------|--------|
| | Sales revenue | Percentage of total sales revenue (%) | Sales revenue | Percentage of total sales revenue (%) | |
| Total | 6,968,325,048.55 | 100% | 6,017,143,660.56 | 100% | 15.81% |
| By operating division | | | | | |
| Manufacturing | 6,968,325,048.55 | 100.00% | 6,017,143,660.56 | 100.00% | 15.81% |
| By product category | | | | | |

| | | | | | |
|----------------------|------------------|--------|------------------|--------|---------|
| Distilled spirits | 6,822,053,599.85 | 97.90% | 5,876,233,721.58 | 97.66% | 16.10% |
| Hotel services | 84,238,705.54 | 1.21% | 83,773,044.79 | 1.39% | 0.56% |
| Other | 62,032,743.16 | 0.89% | 57,136,894.19 | 0.95% | 8.57% |
| By operating segment | | | | | |
| North China | 330,003,884.22 | 4.74% | 345,881,952.52 | 5.75% | -4.59% |
| Central China | 6,270,100,660.83 | 89.98% | 5,285,863,801.21 | 87.84% | 18.62% |
| South China | 363,895,263.98 | 5.22% | 383,674,353.55 | 6.38% | -5.16% |
| Overseas | 4,325,239.52 | 0.06% | 1,723,553.28 | 0.03% | 150.95% |

(2) Operating Division, Product Category or Operating Segment Contributing over 10% of Sales Revenue or Income

√ Applicable □ Not applicable

Unit: RMB

| | Sales revenue | Cost of sales | Gross margin percentage | YoY change in sales revenue | YoY change in cost of sales | YoY change in gross margin percentage |
|-----------------------|------------------|------------------|-------------------------|-----------------------------|-----------------------------|---------------------------------------|
| By operating division | | | | | | |
| Manufacturing | 6,968,325,048.55 | 1,642,588,056.43 | 76.43% | 15.81% | 7.81% | 1.75% |
| By product category | | | | | | |
| Distilled spirits | 6,822,053,599.85 | 1,585,856,065.56 | 76.75% | 16.10% | 9.26% | 1.45% |
| Hotel services | 84,238,705.54 | 35,725,602.03 | 57.59% | 0.56% | 0.56% | 0.00% |
| Other | 62,032,743.16 | 21,006,388.84 | 66.14% | 8.57% | -42.60% | 30.18% |
| By operating segment | | | | | | |
| North China | 330,003,884.22 | 127,739,068.90 | 61.29% | -4.59% | 0.30% | -1.89% |
| Central China | 6,270,100,660.83 | 1,379,229,267.57 | 78.00% | 18.62% | 9.07% | 1.93% |
| South China | 363,895,263.98 | 134,692,490.55 | 62.99% | -5.16% | 2.61% | -2.80% |
| Overseas | 4,325,239.52 | 927,229.41 | 78.56% | 150.95% | 117.43% | 3.31% |

Main business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

□ Applicable √ Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue

√ Yes □ No

| Operating division | Item | Unit | 2017 | 2016 | Change |
|--------------------|------------|------|-----------|-----------|--------|
| Distilled spirits | Unit sales | Ton | 84,034.04 | 81,634.15 | 2.94% |
| brewage | Output | Ton | 81,512.19 | 83,766.51 | -2.69% |

| | | | | | |
|--|-----------|-----|-----------|-----------|---------|
| | Inventory | Ton | 10,072.26 | 12,594.11 | -20.02% |
|--|-----------|-----|-----------|-----------|---------|

Reason for any over 30% YoY movements in the data above:

☐ Applicable ☒ Not applicable

(4) Execution Progress of Major Signed Sales Contracts in Reporting Period

☐ Applicable ☒ Not applicable

(5) Breakdown of Cost of Sales

By operating division

Unit: RMB

| Operating division | Item | 2017 | | 2016 | | Change |
|--------------------|------------------------|------------------|---------------------------------------|------------------|---------------------------------------|--------|
| | | Cost of sales | Percentage of total cost of sales (%) | Cost of sales | Percentage of total cost of sales (%) | |
| Food manufacturing | Direct materials | 1,206,208,660.68 | 73.43% | 1,079,095,302.80 | 70.83% | 11.78% |
| Food manufacturing | Direct labor cost | 168,690,378.21 | 10.27% | 164,611,344.55 | 10.80% | 2.48% |
| Food manufacturing | Manufacturing expenses | 128,448,515.45 | 7.82% | 127,651,145.25 | 8.38% | 0.62% |
| Food manufacturing | Fuels | 82,508,511.22 | 5.02% | 80,108,080.65 | 5.26% | 3.00% |

By product category

Unit: RMB

| Operating division | 2017 | | 2016 | | Change |
|--------------------|------------------|---------------------------------------|------------------|---------------------------------------|---------|
| | Cost of sales | Percentage of total cost of sales (%) | Cost of sales | Percentage of total cost of sales (%) | |
| Distilled spirits | 1,585,856,065.56 | 96.50% | 1,451,465,873.25 | 95.27% | 9.26% |
| Hotel services | 35,725,602.03 | 2.20% | 35,526,066.93 | 2.33% | 0.56% |
| Other | 21,006,388.84 | 1.30% | 36,593,839.33 | 2.40% | -42.60% |

(6) Change in Scope of Consolidated Financial Statements for Reporting Period

☒ Yes ☐ No

The Company newly established subsidiaries Anhui RunAnXinKe Testing Technology Co., Ltd, Suizhou Junhe Commercial and Trading Co., Ltd, and Hubei Hechuyuan Commercial and Trading Co., Ltd; The Company liquidated its subsidiary Bozhou Gujing Distillery Marketing Co., Ltd in the current year.

(7) Major Change in Business Scope or Product or Service Range in Reporting Period

□ Applicable √ Not applicable

(8) Main Customers and Suppliers

Main customers:

| | |
|--|------------------|
| Total sales to top five customers (RMB) | 1,279,318,920.38 |
| Total sales to top five customers as a percentage of the total sales for the Reporting Period (%) | 18.36% |
| The related-party sales from sales to top five customers as a percentage of the total sales for the Reporting Period (%) | 0.00% |

Information about top five customers

| No. | Customer | Sales amount (RMB) | As a percentage of the total sales for the Reporting Period (%) |
|-------|---------------|--------------------|---|
| 1 | Distributor A | 717,839,066.07 | 10.30% |
| 2 | Distributor B | 224,804,814.64 | 3.23% |
| 3 | Distributor C | 160,664,446.50 | 2.31% |
| 4 | Distributor D | 92,747,944.62 | 1.33% |
| 5 | Distributor E | 83,262,648.55 | 1.19% |
| Total | -- | 1,279,318,920.38 | 18.36% |

Other information about the main customers

□ Applicable √ Not applicable

Main suppliers

| | |
|---|----------------|
| Total purchases from top five suppliers (RMB) | 506,177,199.79 |
| Total purchases from top five suppliers as a percentage of the total purchases for the Reporting Period (%) | 33.36% |
| The related-party purchase of purchases from top five suppliers as a percentage of the total purchases for the Reporting Period (%) | 0.00% |

Information about top five suppliers

| No. | Supplier | Purchase amount (RMB) | As a percentage of the total purchases for the Reporting Period (%) |
|-----|------------|-----------------------|---|
| 1 | Supplier A | 234,449,457.90 | 15.45% |
| 2 | Supplier B | 93,364,050.14 | 6.15% |
| 3 | Supplier C | 89,157,945.21 | 5.88% |
| 4 | Supplier D | 56,118,568.95 | 3.70% |

| | | | |
|-------|------------|----------------|--------|
| 5 | Supplier E | 33,087,177.59 | 2.18% |
| Total | -- | 506,177,199.79 | 33.36% |

Other information about the main suppliers

☐ Applicable ☒ Not applicable

3. Expense

Unit: RMB

| | 2017 | 2016 | Change | Reason for material change |
|-------------------------|------------------|------------------|--------|----------------------------|
| Selling expenses | 2,170,081,383.54 | 1,980,127,377.89 | 9.59% | |
| Administrative expenses | 603,552,959.10 | 556,513,607.99 | 8.45% | |
| Finance costs | -25,927,285.82 | -30,253,967.33 | 14.30% | |

4. Research and Development Expense

☒ Applicable ☐ Not applicable

We carried out R&D projects in the current year to study and develop new products, improve the quality of our products, study the intelligent brewage technique and new brewage technique.

Our achievements in R&D: The National Distilled Spirits Health Research Institute, being the first professional distilled spirits health research institution in China, was established. The whole life cycle quality control system was put into operation and thus a whole life cycle quality tracing chain was formed. 1 scientific research achievement was identified by China National Light Industry Council. 2 local standards of Anhui Province were approved and released successfully. The place of origin of Gujing Spirits is Bozhou, one of the World's Top Ten Spirits Producing Areas named by China Alcoholic Drinks Association. The Company won the title of "2017 National Intellectual Property Demonstration Enterprise".

Information about R&D input

| | 2017 | 2016 | Change |
|--|----------------|----------------|--------|
| Number of R&D personnel | 620 | 586 | 5.80% |
| R&D personnel as a percentage in the total employees | 7.76% | 10.14% | -2.38% |
| R&D input (RMB) | 220,278,527.92 | 189,540,000.00 | 16.22% |
| R&D input as a percentage in operating revenues | 3.16% | 3.15% | 0.01% |
| Capitalized R&D input (RMB) | 0.00 | 0.00 | 0.00% |
| Capitalized R&D input as a percentage in the total R&D input | 0.00% | 0.00% | 0.00% |

Reasons for any significant YoY change in the percentage of the R&D input in the operating revenues

☐ Applicable ☒ Not applicable

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

☐ Applicable ☒ Not applicable

5. Cash Flows

Unit: RMB

| Item | 2017 | 2016 | Change |
|--|------------------|-------------------|----------|
| Subtotal of cash generated by operating activities | 7,472,916,271.43 | 7,393,896,952.67 | 1.07% |
| Subtotal of cash used in operating activities | 6,542,001,558.65 | 6,210,665,144.61 | 5.33% |
| Net cash flows from operating activities | 930,914,712.78 | 1,183,231,808.06 | -21.32% |
| Subtotal of cash generated by investing activities | 5,637,814,765.40 | 3,411,470,839.90 | 65.26% |
| Subtotal of cash used in investing activities | 5,770,329,877.85 | 4,952,490,817.51 | 16.51% |
| Net cash flows from investing activities | -132,515,112.45 | -1,541,019,977.61 | 91.40% |
| Subtotal of cash generated by financing activities | 0.00 | 1,000,000.00 | -100.00% |
| Subtotal of cash used in financing activities | 302,160,000.00 | 155,736,537.45 | 94.02% |
| Net cash flows from financing activities | -302,160,000.00 | -154,736,537.45 | -95.27% |
| Net increase in cash and cash equivalents | 496,239,600.33 | -512,524,707.00 | 196.82% |

Explanation of why the data above varied significantly

☒ Applicable ☐ Not applicable

(1) Net cash flows from investing activities in the Reporting Period was RMB-132,515,112.45, up by 91.40% as compared with last year, mainly due to the increase of financial products due.

(2) Net cash flows from financing activities in the Reporting Period was RMB-302,160,000.00, down by 95.27% as compared with last year, mainly due to the increase of dividend distribution.

Reason for any big difference between the net operating cash flow and the net profit for the Reporting Period

☐ Applicable ☒ Not applicable**III Non-Core Business Analysis**☐ Applicable ☒ Not applicable**IV Analysis of Assets and Liabilities****1. Material Change in Asset Composition**

Unit: RMB

| | December 31, 2017 | | December 31, 2016 | | Change in percentage (%) | Reason for material change |
|--------------------------|-------------------|--------------------------------|-------------------|--------------------------------|--------------------------|----------------------------|
| | Value | Percentage of total assets (%) | Value | Percentage of total assets (%) | | |
| Monetary funds | 1,484,088,626.40 | 14.62% | 532,909,026.07 | 6.10% | 8.52% | |
| Accounts receivable | 22,466,143.06 | 0.22% | 12,287,262.88 | 0.14% | 0.08% | |
| Inventories | 2,064,130,297.51 | 20.33% | 1,786,433,036.50 | 20.45% | -0.12% | |
| Investment property | 5,343,777.33 | 0.05% | 8,402,944.74 | 0.10% | -0.05% | |
| Fixed assets | 1,792,254,178.56 | 17.65% | 1,865,691,585.06 | 21.36% | -3.71% | |
| Construction in progress | 54,496,798.56 | 0.54% | 71,771,324.26 | 0.82% | -0.28% | |

2. Assets and Liabilities Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB

| Item | Opening balance | Gains/losses on fair value changes in the Reporting Period | Cumulative fair value changes charged to equity | Provisions for impairment for the Reporting Period | Purchased in the Reporting Period | Sold in the Reporting Period | Closing balance |
|---|-----------------|--|---|--|-----------------------------------|------------------------------|-----------------|
| Financial assets | | | | | | | |
| 1. Financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period (excluding derivative financial assets) | 429,190.68 | -113,260.71 | 0.00 | 0.00 | 1,715,322.51 | 5,714,103.00 | 99,800.76 |
| 2. Available-for-sale financial assets | 404,029,552.27 | 0.00 | 23,168,465.99 | 0.00 | 227,763,351.49 | 188,750,268.72 | 517,086,347.91 |
| Subtotal of financial assets | 404,458,742.95 | -113,260.71 | 23,168,465.99 | 0.00 | 229,478,674.00 | 194,464,371.72 | 517,186,148.67 |
| Total of the | 404,458,742.95 | -113,260.71 | 23,168,465.99 | 0.00 | 229,478,674.00 | 194,464,371.72 | 517,186,148.67 |

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| above | | | | | | | |
| Financial liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Material change in the measurement attributes of the main assets in the Reporting Period:

☐ Yes ☒ No

3. Restricted Asset Rights as of End of Reporting Period

| Item | Closing book value (RMB) | Reason |
|-----------------|--------------------------|---|
| bank deposit | 450,000,000.00 | Structured deposits which cannot be taken in advance will expire in 3 months. |
| Monetary funds | 10,000,000.00 | Drawing a note as a pledge of bank deposit receipt |
| Bill receivable | 3,000,000.00 | Bill pledge |
| Total | 463,000,000.00 | |

V Investments Made

1. Total Investment Amount

☒ Applicable ☐ Not applicable

| Total investment amount of Reporting Period (RMB) | Total investment amount of last year (RMB) | Change |
|---|--|---------|
| 2,413,963,351.49 | 1,032,262,513.42 | 133.85% |

2. Material Equity Investments Made in Reporting Period

☐ Applicable ☒ Not applicable

3. Material Non-Equity Investments Ongoing in Reporting Period

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

☒ Applicable ☐ Not applicable

Unit: RMB

| Variety of securities | Code of securities | Name of securities | Initial investment cost | Accounting measurement model | Opening book value | Gain/loss on fair value changes in the Reporting Period | Cumulative fair value changes charged to equity | Purchased in the Reporting Period | Sold in the Reporting Period | Gain/loss in the Reporting Period | Closing book value | Accounting title | Source of funds |
|-----------------------|--------------------|--------------------|-------------------------|------------------------------|--------------------|---|---|-----------------------------------|------------------------------|-----------------------------------|--------------------|------------------|-----------------|
|-----------------------|--------------------|--------------------|-------------------------|------------------------------|--------------------|---|---|-----------------------------------|------------------------------|-----------------------------------|--------------------|------------------|-----------------|

| | | | | | | | | | | | | | |
|---|--------|---|----------------|-------------------|----------------|--|----------------|----------------|----------------|---------------|----------------|------------------------------------|------------------|
| Domestic/overseas stock | 000001 | PAYH | 70,317,243.98 | Fair value method | 73,172,089.90 | | 33,771,733.80 | 0.00 | 0.00 | 0.00 | 106,943,823.70 | Available-for-sale financial asset | Self-owned funds |
| Domestic/overseas stock | 601988 | ZGYH | 44,385,674.20 | Fair value method | 51,177,224.00 | | 9,113,956.55 | 27,763,351.49 | 17,075,291.07 | 334,266.03 | 71,313,507.00 | Available-for-sale financial asset | Self-owned funds |
| Domestic/overseas stock | 600373 | ZWCM | 91,133,996.80 | Fair value method | 130,191,424.00 | | -39,057,427.20 | 0.00 | 138,873,090.87 | 47,739,094.07 | 0.00 | Available-for-sale financial asset | Self-owned funds |
| Funds | | Guangfa Nest Low Risk No. 1 E Security Investment Funds | 150,000,000.00 | Fair value method | 149,488,814.37 | | 7,666,143.71 | 0.00 | 32,801,886.78 | 2,801,886.78 | 127,154,958.08 | Available-for-sale financial asset | Self-owned funds |
| Funds | | CITIC Wings Dapu No. 1 Asset Management Plan | 200,000,000.00 | Fair value method | 0.00 | | 11,674,059.13 | 200,000,000.00 | 0.00 | 0.00 | 211,674,059.13 | Available-for-sale financial asset | Self-owned funds |
| Total | | | 555,836,914.98 | -- | 404,029,552.27 | | 23,168,465.99 | 227,763,351.49 | 188,750,268.72 | 50,875,246.88 | 517,086,347.91 | -- | -- |
| Disclosure date of the announcement about the board's consent for the securities investment | | | N/A | | | | | | | | | | |

| | |
|--|-----|
| Disclosure date of the announcement about the general meeting's consent for the securities investment (if any) | N/A |
|--|-----|

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

| Operator | Relationship with the Company | Related transaction | Type of derivative | Initial investment amount | Starting date | Ending date | Opening investment amount | Purchased in the Reporting Period | Sold in the Reporting Period | Impairment provision (if any) | Closing investment amount | Proportion of closing investment amount in the Company's closing net assets | Actual gain/loss in the Reporting Period |
|--|-------------------------------|---------------------|-------------------------------------|---------------------------|---------------|-------------|---------------------------|-----------------------------------|------------------------------|-------------------------------|---------------------------|---|--|
| Reverse repurchase of national debt | Naught | No | Reverse repurchase of national debt | 0.00 | 01/18/2017 | 01/09/2018 | 0.00 | 218,620 | 213,620 | 0.00 | 5,000 | 0.77% | 343.09 |
| Total | | | | 0.00 | -- | -- | 0.00 | 218,620 | 213,620 | 0.00 | 5,000 | 0.77% | 343.09 |
| Capital source for derivative investment | | | | Company's own funds | | | | | | | | | |
| Lawsuits involved (if applicable) | | | | Not applicable | | | | | | | | | |
| Disclosure date of board announcement approving derivative investment (if any) | | | | 08/30/2013 | | | | | | | | | |
| Disclosure date of shareholders' meeting announcement approving derivative investment (if any) | | | | Not applicable | | | | | | | | | |

| | |
|--|--|
| any) | |
| Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) | The Company had controlled the relevant risks strictly according to the Derivatives Investment Management System. |
| Changes in market prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters) | Naught |
| Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period | Naught |
| Opinion of independent directors on derivative investments and risk control | Based on the sustainable development of the main business and the sufficient free idle money, the Company increased the profits through investing in the reasonable financial derivative instruments, which was in favor of improving the service efficiency of the idle funds. In order to reduce the investment risks of the financial derivative instruments, the Company had set up corresponding supervision mechanism for the financial derivative instrument business and formulated reasonable accounting policy as well as specific principles of financial accounting. The derivative Investment business developed separately took national debts as mortgage object, which was met with the cautious and steady risks management principle and the interest of the Company and shareholders. Therefore, agreed the Company to develop the derivative Investment business of reverse repurchase of national debt not more than the limit of RMB0.3 billion. |

5. Use of Funds Raised

√ Applicable ☐ Not applicable

(1) Overview of the Use of Raised Funds

√ Applicable □ Not applicable

Unit: RMB'0,000

| Raised years | Raised methods | Total amount of the raise funds | Total amount of the used raise funds of the Reporting Period | Total amount of the accumulative used raise funds | Total amount of the raise funds which changed the usage during the Reporting Period | Total amount of the accumulative raise funds which changed the usage | Proportion of the total amount of the accumulative raise funds which changed the usage | Total amount of the raise funds had not been used | Usage and whereabouts of the raise funds had not been used | Amount of the raise funds which left unused over 2 years |
|-------------------------------------|------------------|---------------------------------|--|---|---|--|--|---|--|--|
| 2011 | Private offering | 122,749.95 | 620.98 | 109,369.10 | 0.00 | 0.00 | 0.00% | 4,704.04 | Supplying working capital permanently | 0.00 |
| Total | -- | 122,749.95 | 620.98 | 109,369.10 | 0.00 | 0.00 | 0.00% | 4,704.04 | -- | 0.00 |
| Overview of the use of raised funds | | | | | | | | | | |

The project of raised funds of the Company had been completed, and the surplus raised funds have been supplied to working capital of the Company permanently. (for details, see the Announcement on the Completion of the Raised Funds Project of the Company and Usage of Surplus Raised Funds to Supply Working Capital Permanently disclosed on www.cninfo.com.cn on October 28, 2017)

(2) Projects Invested with Raised Funds as Promised

√ Applicable □ Not applicable

Unit: RMB'0,000

| Projects invested with raised capital as promised and investments with over-raised | Project changed or not (including | Raised capital input as promised | Investment after adjustment (1) | Input in the Reporting Period | Accumulative input up to the period-end (2) | Investment progress up to the period-end | Date when the project reaches the | Profit generated in the Reporting | Reach the expected profit or not | Material change in the project |
|--|-----------------------------------|----------------------------------|---------------------------------|-------------------------------|---|--|-----------------------------------|-----------------------------------|----------------------------------|--------------------------------|
|--|-----------------------------------|----------------------------------|---------------------------------|-------------------------------|---|--|-----------------------------------|-----------------------------------|----------------------------------|--------------------------------|

| capital | partially changed) | | | | | (%) (3)= (2)/(1) | expected usable condition | Period | | feasibility or not |
|--|-----------------------|---------|------------|--------|-----------|---------------------|---------------------------------|---|-----|-----------------------|
| Commitment investment projects | | | | | | | | | | |
| Technological Transform on the Brewage of High-quality Base Wine | No | 13,500 | 12,194.42 | 0.00 | 12,247.90 | 100.44% | 04/30/2014 | Couldn't be individually measured | N/A | No |
| Construction of Base Wine Blending & Filling Centre and Ancillary Facilities | No | 68,600 | 65,921.06 | 454.39 | 61,596.84 | 93.44% | 04/30/2014 | Couldn't be individually measured | N/A | No |
| Construction of Marketing Network | No | 27,500 | 27,500 | 166.59 | 18,499.3 | 67.27% | 04/30/2014 | Couldn't be individually measured | N/A | No |
| Construction of Brand Promotion | No | 17,000 | 17,000 | 0.00 | 17,025.06 | 100.15% | 12/31/2012 | Couldn't be individually measured | N/A | No |
| Subtotal of promised investment projects | -- | 126,600 | 122,615.48 | 620.98 | 109,369.1 | -- | -- | | -- | -- |
| Investments of over-raised capital | | | | | | | | | | |
| N/A | | | | | | | | | | |
| Total | -- | 126,600 | 122,615.48 | 620.98 | 109,369.1 | -- | -- | | -- | -- |
| Reason for failing to reach scheduled progress or projected income (explain one project by one project) | Naught | | | | | | | | | |

| | |
|--|--|
| Explanation on significant changes in feasibility of projects | Naught |
| Amount, usage and usage progress of over-raised capital | Not applicable |
| Change of the implementation location of any raised funds investment project | Not applicable |
| Adjustment of the implementation method of any raised funds investment project | Not applicable |
| Advanced input and exchange of any raised funds investment project | <p>Applicable</p> <p>In accordance with the explanation of the Particulars on the Private Issuance of A-share of Anhui Gujing Distillery Co., Ltd. and the Listing Announcement, “Before the raised proceeds being in place, the Company can use the self-raised proceeds to input preliminarily in accordance with the actual progress of raised proceeds investment projects; after the raised proceeds being in place, the Company can use the raised proceeds to replace the self-raised proceeds preliminarily input”. And the Proposal on Using the Raised Proceeds to Replace the Self-raised Proceeds Preliminarily Input to the Raised Proceeds Investment Projects was reviewed and approved at the 7th Session of the 6th Board of Directors, which agreed to use the raised proceeds to replace the self-raised proceeds of RMB27,058,143.42 preliminarily input to the raised proceeds investment projects. The above funds replacement was completed on January 6, 2012.</p> |
| Idle raised capital for temporarily supplementing working capital | Not applicable |
| Outstanding raised funds in project implementation and reasons | <p>Applicable</p> <p>1. The Company strictly carried out the purchase system and the project bidding way, which better controlled the project construction and purchase cost and under the premise of guaranteeing the project quality with the principles of practicing strict economy, the Company further strengthened the project expenses control, supervisor and management in the process of the execution which reduced the total cost of the investment project of the raised funds. 2. The surplus reason of the marketing network construction project was due to the rather big changes of the liquor market environment and the third party logistics system</p> |

| | |
|---|--|
| | gradually becoming more and more mature and at the same time, the Company would no more execute the center project of Hefei Logistics for reducing the fixed operating cost of the Company, which caused the capital surplus of the project. |
| Usage and whereabouts of unused raise capital | Supplying working capital permanently |
| Problems found in the usage and disclosure affairs of raised capital and other situations | N/A |

(3) Change of Projects Invested with Raised Funds

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Main Controlled and Joint Stock Companies

☒ Applicable ☐ Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

| Company name | Relationship with the Company | Main business scope | Registered capital | Total assets | Net assets | Sales revenue | Operating income | Net income |
|--|-------------------------------|---|--------------------|------------------|----------------|------------------|------------------|----------------|
| Bozhou Gujing Sales Co., Ltd | Subsidiary | Wholesales of distilled spirit, construction materials, feeds and assistant materials | 84,864,497.89 | 2,140,703,978.72 | 137,636,029.17 | 6,107,301,015.37 | 533,807,314.25 | 385,552,253.52 |
| Anhui Longrui Glass Co., Ltd | Subsidiary | Manufacture and sale of glass products | 86,660,268.98 | 270,560,984.78 | 205,838,756.22 | 185,282,209.22 | 23,345,864.92 | 20,194,802.65 |
| Wuhan Tianlong Yellow Crane Tower Wine Industry Co., Ltd | Subsidiary | Production and sales of distilled spirit | 400,000,000.00 | 720,328,676.42 | 479,895,292.81 | 689,103,629.96 | 107,179,064.59 | 81,445,925.49 |
| Shanghai Gujing Jinhao Hotel Management | Subsidiary | Hotel management and house lease | 54,000,000.00 | 208,645,223.85 | 78,269,013.39 | 76,853,167.81 | 8,538,909.33 | 5,255,738.45 |

Co., Ltd.

Subsidiaries obtained or disposed in the Reporting Period

√ Applicable □ Not applicable

| Subsidiary name | How subsidiary was obtained or disposed in the Reporting Period | Impact on overall operation and results |
|---|---|---|
| Anhui RunAnXinKe Testing Technology Co., Ltd. | Invest and set up | Optimizing the internal business structure and enhancing the endogenous power |
| Suizhou Junhe Commercial and Trading Co., Ltd | Invest and set up | Strengthening the development of the Company's main business distilled spirit, speeding the national layout of products market, and improving the Company's brand influence and business scale. |
| Hubei Hechuyuan Commercial and Trading Co., Ltd | Invest and set up | Strengthening the development of the Company's main business distilled spirit, speeding the national layout of products market, and improving the Company's brand influence and business scale. |
| Bozhou Gujing Distillery Marketing Co., Ltd | Cancellation of the liquidation | |

VIII Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

IX Outlook for the Future Development of the Company

1. Development strategy of the Company

(1) Firmly boost "Strategy 5.0, Five-Star Operation" Strategy

Comprehensively fulfill Strategy 5.0 and have the "User-Centered" thought fully and deeply implemented in the Company. Solidly create the "Five-Star Operation", enhance competitive force, improve quality and efficiency, optimize services and promote healthy and efficient operation of the enterprise.

(2) Firmly boost reform and innovation strategy

Deeply boost marketing innovation, technological innovation and mechanism innovation and generate endogenous power of the enterprise.

(3) Firmly create "Talent Highland" strategy

Intensify talent recruitment and attraction and establish flexible talent attraction and wisdom experience borrowing mechanism. Innovate talent training mode and promote independent cultivation & development and absorption & attraction simultaneously.

(4) Firmly boost the strategy of integration of Party governance

Comprehensively strengthen Party discipline, continuously strengthen "four-consciousness", and strengthen political leadership. Need to take firm political stand, strengthen political orientation, practically strengthen "four-consciousness". Thoroughly study and implement the spirit of the 19th National Congress of the Communist Party of China and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and guide all the Party members to enhance their thought and action consciousness to maintain the core.

2. Operating revenue plan of the Company in 2018

For 2018, the Company expects to reach sales revenue of RMB7.965 billion (a 14.31% year-over-year increase) and pretax income of RMB1.939 billion (a 20.30% rise from 2017).

3. Operating risk of the Company

(1) The adverse effect of the systematic risk in macro-economic environment on the development of the industry and the Company.

(2) Impact of industrial policy adjustment and change on the sustainable development of the Company.

(3) Impact of the change of consumption behaviors and habits on the consumption crowds and trend replacement of distilled spirits.

4. Operating measures

(1) Marketing

Build Anhui market and accelerate Henan's market construction. Intensify strategic node market promotion, establish the commanding point of the brand and radiate across the country. Accelerate the upward movement of the product structure and take efforts to develop secondary high-end and high-end products. Continue to follow a strategy of "setting a higher market positioning and meanwhile maintaining a higher quality, from the international market to the domestic market, and focusing on both international and domestic market".

(2) Product management

Continuously boost intelligent and green brewing process, implement quality upgrading action plan, enhance information, scientific and systematic management of product quality, lay a solid foundation for quality management. Make full use of the platform of National Distilled Spirits Health Research Institute and continuously strengthen the research on health factors in distilled spirits. Continue to deeply boost product, technology and operation standardization and lay a solid foundation for the Company to implement automation and intellectualization.

(3) Management innovation

Focus on the users, accelerate the implementation of Strategy 5.0, achieve business process evolution, introduce the "User-Centered" thought in the design and construction of Strategy 5.0, and continuously promote the transformation of business model of the enterprise. Deeply drive internal marketization and independent legal person system. Facilitate budget management informatization. Build data standardization, strengthen statistical analysis and application and comprehensively deepen the budget management system.

(4) Human resource

Build the development channel and improve the incentive mechanism. Advocate a "united, tense, serious and lively" office atmosphere, establish a sound multi-level talent cultivation system, and further improve the various talent assessment system and incentive and constraint mechanism. Establish talent "craftsman pool" and "elite pool", get through the "Management Channel" and "Technology Channel", and build the "Innovation Platform" and "Entrepreneurship Platform".

(5) Corporate cultural construction

Thoroughly study and implement the spirit of the 19th National Congress of the Communist Party of China and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and guide all the Party members to enhance their thought and action consciousness to maintain the core. Focus on the general keynote of "establishing, revitalizing and stabilizing the enterprise through Party building", tighten the politics string, build the organization wall, main a strict standard in probity and ensure co-frequency resonance of Party governance. Continuously strengthen "four-consciousness", and strengthen political leadership. Deepen the implementation of Gujing's core values and consolidate Gujing new thought guidance.

In 2018, under the guidance of the spirit of the 19th National Congress of the Communist Party of China, the Board of Directors of the Company stay true to the original intention, keep firmly in mind the mission goal, vigorously promote contribution culture and NieGuangrong's spirit; Focus on "Strategy 5.0, Five-Star Operation" Strategy, take the user as the center, take process reengineering as the key, strengthen the marketing first policy, bring forth new ideas in system and mechanism, promote development power, build the Gujing invincible army that integrates Party governance, and strive to realize the various operating indexes.

X Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

1. In this Reporting Period

☐ Applicable ☒ Not applicable

Part V Significant Events

I Profit Distribution and Converting Capital Reserve into Share Capital for Common Shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in this Reporting Period

√ Applicable □ Not applicable

The 2016 Annual Meeting of Shareholders held on June 20, 2017 considered and approved the Company's Interest Distribution Scheme in 2016 that based on the total shares 503,600,000 of the Company on December 31, 2016, cash dividend was distributed at RMB 6.00 per 10 shares(including tax), and the total distributed cash dividend was RMB302,160,000.00 (including tax).

| Special explanation of cash dividend policy | |
|--|---|
| Whether conformed with the regulations of the Articles of association or the requirements of the resolutions of the shareholders' meeting: | Yes |
| Whether the dividend standard and the proportion were definite and clear: | Yes |
| Whether the relevant decision-making process and the system were complete: | Yes |
| Whether the independent director acted dutifully and exerted the proper function: | Yes |
| Whether the medium and small shareholders had the chances to fully express their suggestions and appeals, of which their legal interest had gained fully protection: | Yes |
| Whether the conditions and the process met the regulations and was transparent of the adjustment or altered of the cash dividend policy: | The cash dividend policy of the Company was not adjusted or altered |

The Company's plans (preplans) for distributing common stock dividend and turning capital reserve into share capital for the recent three years (including the reporting year)

1. 2015 profits distribution plan of the Company: distributed the cash of RMB1.00 (tax included) for every 10 shares without any converting capital reserve into share capital;
2. 2016 profits distribution plan of the Company: distributed the cash of RMB6.00 (tax included) for every 10 shares without any converting capital reserve into share capital;
3. 2017 profits distribution proposal of the Company: distributed the cash of RMB10.00 (tax included) for every 10 shares without converting capital reserve into share capital

Unit: RMB

| Year | Cash dividends (tax included) | Net profits attributable to common | Proportion in net profits attributable to common | Cash dividends in other forms | Ratio of cash dividends in other forms |
|------|----------------------------------|--|--|----------------------------------|--|
|------|----------------------------------|--|--|----------------------------------|--|

| | | shareholders of the Company in the consolidated statements for the year | shareholders of the Company in the consolidated statements for the year (%) | | |
|------|----------------|---|---|------|-------|
| 2017 | 503,600,000.00 | 1,148,740,644.93 | 43.84% | 0.00 | 0.00% |
| 2016 | 302,160,000.00 | 829,630,063.38 | 36.42% | 0.00 | 0.00% |
| 2015 | 50,360,000.00 | 715,578,369.68 | 7.04% | 0.00 | 0.00% |

The Company made profits in the Reporting Period and the profits distributable to common shareholders of the Company was positive, but it did not put forward a preliminary plan for cash dividend distribution to its common shareholders

☐ Applicable ☒ Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for this Reporting Period

☒ Applicable ☐ Not applicable

| | |
|--|------------------|
| Bonus shares for every 10 shares (share) | 0 |
| Dividend for every 10 shares (RMB) (tax included) | 10.00 |
| Additional shares converted from capital reserves for every 10 shares (share) | 0 |
| Total shares as the basis for the preliminary plan for profit distribution (share) | 503,600,000 |
| Total cash dividends (RMB) (tax included) | 503,600,000.00 |
| Distributable profits (RMB) | 4,103,151,843.38 |
| Percentage of cash dividends in the total distributed profits | 100% |
| Cash dividend policy | |

The minimum proportion of cash dividend from profit distribution this time should be 40% when the Company distributed the profits under the condition that the Company was in mature stage with large capital cost.

Details about the preliminary plan for profit distribution and converting capital reserves into share capital

The Company planned to based on the total shares at the year-end of 503,600,000 shares to distribute the dividends with a cash of RMB10.00 (tax included) for each 10 shares with the total amount of RMB503,600,000.00 and the retained unallocated profits of RMB3,599,551,843.38 would all transfer to the next year.

III Fulfillment of commitments

1. Commitments that the Company, the Company's Shareholders, Actual Controller, Acquirers, Directors, Supervisors, Executive Officers as well as Other Related Parties Fulfilled and Failed to Fulfill on Time during the Reporting Period

√ Applicable □ Not applicable

| Commitment | Commitment party | Type | Content | Time | Term | Performance |
|---|---|--------------------------------|--|----------------|-------------|---|
| Commitments in acquisition report or report on changes in equity | Anhui Gujing Distillery Company Limited | Commitment on operating result | Realize the tax inclusive income of RMB805 million in 2017 and the net profit margin of Wuhan Pride Yellow Crane Tower Distillery Co., Ltd. of the year not less than 11.00% | April 29, 2016 | Y2017-Y2021 | Complete the commitment on operating result in 2017 |
| Whether the commitment was performed on time or not | Yes | | | | | |
| When the commitment failed to be fulfilled on time, the specific reason and the following work plan should be given | N/A | | | | | |

In accordance with the equity transfer agreement signed by the Company with Wuhan Pride Investment Group Co., Ltd., and the natural person Yan Hongye on the acquisition of Wuhan Pride Yellow Crane Tower Distillery Co., Ltd. (hereinafter referred to as “Yellow Crane Tower”), the Company made a commitment on the sales revenue (tax inclusive) of Yellow Crane Tower as follows:

Unit: RMB'0,000

| Time | Y2017 | Y2018 | Y2019 | Y2020 | Y2021 |
|--|-----------|------------|------------|------------|------------|
| Promised sales revenue (tax inclusive) | 80,500.00 | 100,625.00 | 130,812.50 | 170,056.25 | 204,067.50 |

At the same time, within five years after the settlement day (excluding the year in which the settlement day of the targeted equity is located), the annual net profit margin of Yellow Crane Tower (the actual net profit/sales revenue of Yellow Crane Tower in that year) is no less than 11.00%. If the audited net profit margin of Yellow Crane Tower is less than 11.00%, the Company shall compensate for the difference in accordance with the agreement; if the net profit margin of Yellow Crane Tower is less than 11.00% for two consecutive years, then The transferor has the right to repurchase all of the shares held by the Company in the Yellow Crane Tower, and the repurchase price is RMB816 million.

The performance of the commitment on operating result of Yellow Crane Tower for 2017 in its separate financial statement was as follows:

Unit: RMB'0,000

| Item | Actual amount | Promised amount | Difference | Completion rate |
|------|---------------|-----------------|------------|-----------------|
|------|---------------|-----------------|------------|-----------------|

| | | | | |
|-------------------------------|-----------|-----------|--------|---------|
| Sales revenue (tax inclusive) | 80,625.12 | 80,500.00 | 125.12 | 100.16% |
| Net profit | 8,144.95 | 7,568.38 | 576.57 | 107.62% |
| Net profit margin | 11.82% | 11.00% | 0.82% | 107.45% |

2. Where there had been an Earnings Forecast for an Asset or Project and this Reporting Period was still within the Forecast Period, Explain why the Forecast has been Reached for this Reporting Period.

☐ Applicable ☒ Not applicable

IV Occupation of the Company's Funds by the Controlling Shareholder or its Related Parties for Non-operating Purposes

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) regarding the "Modified Auditor's Report" Issued by the CPAs Firm for this Reporting Period

☐ Applicable ☒ Not applicable

VI YoY changes in accounting policies, estimations and methods

☒ Applicable ☐ Not applicable

In 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Termination of Operations, the revised Accounting Standards for Business Enterprises No. 16 - Government Subsidies, and the Notice on Revision and Issuance of Format of General Financial Statements of Enterprise (CaiKuai [2017] No. 30). The Company has adopted the above-mentioned standards and notice to prepare the Financial Statements of 2017, and the influences on financial statements of the Company are presented as follows:

| No. | Contents and reasons | Name of the statement's items and amounts |
|-----|---|---|
| 1 | The Company would calculate the government subsidies related to routine operating activities in 2017 into the item of other income. The comparative financial statement in 2016 was not rearranged. | The non-operating income in 2017 decreased RMB 32,720,116.60, and those reclassified into other income was RMB32,720,116.60. |
| 2 | The Company would calculate the profits or losses from assets disposal in 2017 into the item of assets disposal income. The comparative financial statement in 2016 has been adjusted accordingly. | 1. In 2017, the non-operating income decreased RMB425,934.44, and the non-operating expenses decreased RMB171,171.17, and those reclassified into assets disposal income was RMB254,763.27. 2. The non-operating income in 2016 decreased RMB345,705.61, and those reclassified into assets disposal income was RMB345,705.61. |

VII Retroactive Restatement due to Correction of Material Accounting Errors in this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

VIII YoY Changes in the Scope of the Consolidated Financial Statements

☒ Applicable ☐ Not applicable

The Company newly established subsidiaries Anhui RunAnXinKe Testing Technology Co., Ltd, Suizhou Junhe Commercial and Trading Co., Ltd, and Hubei Hechuyuan Commercial and Trading Co., Ltd; and liquidated its subsidiary Bozhou Gujing Distillery Marketing Co., Ltd in the current year.

IX Engagement and Disengagement of CPAs Firm

Current CPAs firm

| | |
|---|----------------------------|
| Name of the domestic CPAs firm | Ruihua CPAs (LLP) |
| The Company's payment for the domestic CPAs firm (RMB'0,000) | 160 |
| Consecutive years of the audit service provided by the domestic CPAs firm | 5 |
| Names of the certified public accountants from the domestic CPAs firm | Zhang Liping, Zhang Xianfa |

Reengage the CPAs firm at current period or not?

☐ Yes ☒ No

CPAs firm, financial advisor or sponsor engaged for internal control audit

☒ Applicable ☐ Not applicable

In 2017, the Company engaged the Ruihua CPAs (LLP) as the internal control audit CPAs of the Company.

X Possibility of Listing Suspension or Termination after Disclosure of this Report

☐ Applicable ☒ Not applicable

XI Bankruptcy and Restructuring

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XII Significant Litigations and Arbitrations

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XIII Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XIV Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

XV Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or other Incentive Measures for Employees

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVI Significant Related-party Transactions

1. Related-party Transactions Relevant to Routine Operation

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

2. Related Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Other Significant Related Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leasing

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Entrusted Cash Management

(1) Entrusted Cash Management

☒ Applicable ☐ Not applicable

Overviews of entrusted cash management during the Reporting Period

Unit: RMB'0,000

| Specific type | Capital resources | Amount incurred | Undue Balance | Overdue unrecovered amount |
|---------------------------|-------------------|-----------------|---------------|----------------------------|
| Trust financial products | Self-owned funds | 124,100 | 119,100.00 | 0 |
| Broker financial products | Self-owned funds | 38,000 | 38,000.00 | 0 |
| Others | Self-owned funds | 49,748.87 | 49,572.52 | 0 |
| Bank financial products | Self-owned funds | 155,000 | 12,000.00 | 0 |
| Total | | 366,848.87 | 218,672.52 | 0 |

Particulars of entrusted cash management with single significant amount or low security, bad liquidity, and no capital preservation

Unit: RMB'0,000

| Name of the trustee | Type of the trustee | Type of the product | Finance | Resource of funds | Initial date | Ended Date | Use of fund | Method of payment determination | Annual yield for reference | Estimated profit (if any) | Amount of actual profits or losses in Reporting Period | Actual recovery of profits or losses in Reporting Period | Amount withdrawn impairment provision (if any) | Whether go through statutory procedures | Whether there is wealth management entrusted plan in future or not | Overview of the item and the related index for inquiry (if any) |
|-------------------------------------|---------------------------|---------------------|---------|-------------------|--------------|------------|--|---------------------------------|----------------------------|---------------------------|--|--|--|---|--|---|
| Nest Investment Management Co., Ltd | Limited Liability Company | Funds | 12,000 | Self-owned funds | | | National debt, financial bond, short-term financial bond, medium term note, and credit debt with AA credit rating or above, and etc. | 5.0% of base earnings ratio | 7.00% | | 280.19 | Realized | | Yes | Yes | |
| CITIC Wings | Limited | Funds | 20,000 | Self-owned | | | Purchasing | 1.2% of | 8.00% | | 0 | N/A | | Yes | Yes | |

| | | | | | | | | | | | | | | | |
|----------------------------------|-------------------|--|--------|-------|----|----|---|--|----|--------|----|--|----|----|----|
| Asset Management Company Limited | Liability Company | | | funds | | | new shares, products with fixed earnings, reverse repurchase of national debt, and etc. | products' net value and 20% of excess earnings | | | | | | | |
| Total | | | 32,000 | -- | -- | -- | -- | -- | -- | 280.19 | -- | | -- | -- | -- |

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

□ Applicable √ Not applicable

(2) Entrusted Loans

□ Applicable √ Not applicable

No such cases in this Reporting Period.

4. Other Significant Contracts

□ Applicable √ Not applicable

No such cases in this Reporting Period.

XVIII Social Responsibilities

1. Social Responsibilities Taken

The Company disclosed Social Responsibilities Report of Enterprises for 2017 on April 28, 2018. (for details, see <http://www.cninfo.com.cn>)

2. Targeted Measures Taken to Help People Lift themselves out of Poverty

(1) Plan for Targeted Measures

In accordance with the "organizations are responsible for villages and individuals are responsible for families" poverty alleviation work arrangement of Bozhou Municipal Party Committee, the Company has established targeted support towards 176 poor families in Bali village, Yanglou village and Wuma village, Wuma town, Qiaocheng District, Bozhou. The Company performs poverty alleviation responsibility, sends relevant personnel to the poverty villages regularly or irregularly for investigation, organizes and holds forum regularly, gathers advices from the villagers and comes up with specific solutions to the practical difficulties and problems in the poor villages and poor families.

(2) Outline of Targeted Measures in the Reporting Period

① Providing poverty alleviation employment post. In accordance with the actual production situation of the Company, the Company provides employment posts with relaxed conditions for children of poor families in three targeted poor administrative villages in Wuma town. At present, 6 children of poor families have been employed by Gujing group and realized their aspirations for stable economic income.

② Establishing financial poverty alleviation mechanism. To earnestly implement the financial poverty alleviation policy, the Company discussed about relevant poverty alleviation policies and distributed a poverty alleviation fund of RMB 2,500/family/year and RMB 30,000/family/year to 1,000 poor families and rural collective economic organizations respectively in 1,000 poor villages designated by the municipal government in the "Bank + Enterprise + Poor Family" financial poverty alleviation separate-loan and unified-repayment mode; moreover, the company also signed a three-year micro-credit poverty alleviation agreement with the third party which provides another guaranteed income to the poor villages and families.

③ Helping the poor families sell "native products". First, the Company advised the employees to buy anti-season grapes from the poor families. After the purchasing & selling information is sent out, the employees dedicated their love one after another to buying the products actively which expressed their supports for poverty alleviation and showed their love. Via the activity, total 1,529 boxes of grapes were purchased and the sales reached RMB 38,225. Second, the Company advised the employees to buy caring native products. In order to promote the sales of the hand-made green "native products" in poor families in Sanyi town and Lumiao town, the Company advised the employees to buy sweet potato noodles, dry red pepper, lotus root, sweet potato starch, potato and other native products via the Company's WeChat platform so that the "native products" sales problem in poor families was solved.

④ Conveying true care and love. In June, the Company held the "Conveying True Care and Love" poverty alleviation condolence activity in Liuyuan Village Primary School, Mengcheng County. The Company sent extracurricular books, student desks & chairs, school bags, air conditioners and other gifts to Liuyuan Village Primary School, Mengcheng County. This activity thoroughly implements the "Targeted Poverty Alleviation" idea put forward by the Company and further cares for the growth of poor children and passes on social love.

(3) Results of Targeted Measures

Connecting Bali village, Wuma town to help 27 poor households, achieving all out of poverty.

(4) Subsequent Targeted Measure Plans

① Earnestly enforcing relevant provisions of the Municipal Party Committee and municipal government, and stick to the leading role, set an example for the subordinates, fulfill poverty alleviation duty and lead all persons in charge of poverty alleviation in the

Company to comprehensively complete the poverty alleviation mission according to the "organizations are responsible for villages and individuals are responsible for families" commitment.

② Fulfilling the targeted poverty alleviation and residency poverty alleviation duty. All persons in charge of poverty alleviation shall continue to make efforts, visit poor families once a month at least; hold 4 "Two Committees" memberforums in administrative villages each year at least, and understand and address the needs.

③ Establishing poverty alleviation incentive mechanism. In order to bring the poor families out of poverty, the Company must highlight thought, ability and industry support, comprehensively stimulate the endogenous power of poor families in poor villages, establish self-reliance awareness, and increase the confidence for overcoming poverty striving for relatively comfortable life.

④ Carrying out employment poverty alleviation. The Company actively works with the primary residency secretaries of three administrative villages to attract ambitious underprivileged youngsters to the Company and thus expand the income channel of poor families.

⑤ Continue to improve the financial poverty alleviation mechanism, faithfully implement the poverty alleviation credit agreement, stick to distributing poverty alleviation fund to poor villages and poor families every quarter.

3. Particulars Relevant to Environmental Protection

Is the Company or any of its subsidiaries a heavily polluting business identified by the environmental protection authorities of China?

Yes

| Name of company or subsidiary company | Name of major pollutant and typical pollutant | Way of discharge | Quantity of discharge outlet | Distribution of discharge outlet | Discharge concentration | Pollutant discharge standard implemented | Total discharge | Permitted discharge | Excess discharge |
|---------------------------------------|---|--------------------|------------------------------|----------------------------------|-------------------------|--|-----------------|---------------------|------------------|
| Anbui Gujing Distillery Co., Ltd. | COD | Directly discharge | 1 | Main discharge outlet | 60.2 | ≤100 | 154.93 | 155.05 | N/A |
| Anbui Gujing Distillery Co., Ltd. | NH3-N | Directly discharge | 1 | Main discharge outlet | 5.89 | ≤10 | 15.15 | 15.53 | N/A |

Construction and operation of pollution prevention and management

Existing pollution facilities are running well and meet the discharge standard. The wastewater discharge meets the direct discharge requirements in Table 2 of GB27631-2011 Discharge standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry and the gas emission meets coal-fired boiler standard requirements in Table 1 of GB13271-2014 Emission Standard of Air Pollutants for Boiler.

Environmental impact assessment of construction project and other administrative license situation in respect of environmental protection

(1) The Gujing No. 9 Semi-Open Spirit Storehouse Renovation Project has carried out environmental impact assessment and prepared the environmental impact assessment report, which has been approved by Bozhou Environmental Protection Bureau on May 21, 2017. Please refer to BHB [2017] No. 62 document for details. The project is currently under construction;

(2) The Gujing No. 10 Open Spirit Storehouse and Spirit Recycling Workshop Renovation Project has carried out environmental

impact assessment and prepared the environmental impact assessment report, which has been approved by Bozhou Environmental Protection Bureau on September 8, 2017. Please refer to BHB [2017] No. 139 document for details. The project is currently under construction;

Emergency plan for sudden environment affairs

The Company has formulated the Emergency Plan of Anhui Gujing Distillery Company Limited for Sudden Environmental Pollution Accident, which has been filed with municipal environmental protection bureau. Emergency plan drill has been carried out according to relevant requirements.

Environmental self-monitoring scheme

The Company has formulated the Self-Monitoring Scheme of Key Pollution Source Enterprises under the National Monitoring and published it on the website of Bozhou Environmental Protection Bureau.

Other environment information that should be disclosed

Anhui Longrui Glass Products Co., Ltd., a subsidiary of Anhui Gujing Distillery Company Limited (hereinafter referred to as the Company), shares a set of treatment system for industrial and sanitary wastewater with the Company. The wastewater will be discharged after processed by the sewage treatment station of the Company, which meets GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry. While the exhaust gas from glass furnaces will be discharged through dust extraction, desulfurization and denitration, which meets GB9078-1996 Discharge Standard of Air Pollutants for Industrial Furnaces.

Other related environment protection information

No

XIX Other Significant Events

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XX Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

| | Before | | Increase/decrease (+/-) | | | | | After | |
|--|-------------|----------------|-------------------------|--------------|-------------------------------|--------|----------|-------------|----------------|
| | Number | Percentage (%) | New issues | Bonus shares | Increase from capital reserve | Other | Subtotal | Number | Percentage (%) |
| 1. Restricted shares | 1,200 | 0.00% | | | | -1,200 | -1,200 | 0 | 0.00% |
| 1.1 Shares held by other domestic investors | 1,200 | 0.00% | | | | -1,200 | -1,200 | 0 | 0.00% |
| Among which: Shares held by domestic juridical persons | 1,200 | 0.00% | | | | -1,200 | -1,200 | 0 | 0.00% |
| 2. Non-restricted shares | 503,598,800 | 100.00% | | | | 1,200 | 1,200 | 503,600,000 | 100.00% |
| 2.1 RMB common shares | 383,598,800 | 76.17% | | | | 1,200 | 1,200 | 383,600,000 | 76.17% |
| 2.2 Domestically listed shares for foreign investors | 120,000,000 | 23.83% | | | | 0 | 0 | 120,000,000 | 23.83% |
| 3. Total shares | 503,600,000 | 100.00% | | | | 0 | 0 | 503,600,000 | 100.00% |

Reasons for the share changes

☒ Applicable ☐ Not applicable

During this Reporting Period, the shareholdings of outgoing senior management personnel in the Company were unlocked.

Approval of share changes

☐ Applicable ☒ Not applicable

Transfer of share ownership

☐ Applicable ☒ Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

☐ Applicable ☒ Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☒ Applicable ☐ Not applicable

Unit: share

| Name of shareholder | Opening restricted shares | Unlocked in Reporting Period | Increased in Reporting Period | Closing restricted shares | Reason for lock-up/unlocking | Date of unlocking |
|---------------------|---------------------------|------------------------------|-------------------------------|---------------------------|------------------------------|-------------------|
| Zhai Liangdong | 1,200 | 1,200 | 0 | 0 | Leaving of senior executive | 02/23/2017 |
| Total | 1,200 | 1,200 | 0 | 0 | -- | -- |

II Issuance and Listing of Securities

1. Securities (Excluding Preference Shares) Issued in this Reporting Period

☐ Applicable ☒ Not applicable

2. Changes in Total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structures

☐ Applicable ☒ Not applicable

3. Existing Employee-held Shares

☐ Applicable ☒ Not applicable

III Shareholders and Actual Controller

1. Total Number of Shareholders and their Shareholdings

Unit: share

| | | | | | | | | |
|---|-----------------------|---|--------------------------|--|-----------|--|--------------------------|--------|
| Total number of common shareholders at the period-end | 25,431 | Total number of common shareholders at the prior month-end before the disclosure of this Report | 21,943 | Total number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8) | 0 | Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report (if any) (see note 8) | 0 | |
| 5% or greater shareholders or the top 10 shareholders | | | | | | | | |
| Name of shareholder | Nature of shareholder | Shareholding percentage | Total shares held at the | Increase/decrease during this | Number of | Number of non-restricted | Pledged or frozen shares | |
| | | | | | | | Status | Number |

| | | (%) | period-end | Reporting Period | restricted shares held | shares held | | |
|--|----------------------------|--------|-------------|------------------|------------------------------|-------------|---------|-------------|
| ANHUI GUJING GROUP COMPANY LIMITED | State-owned corporation | 53.89% | 271,404,022 | | | 271,404,022 | Pledged | 114,000,000 |
| NORGES BANK | Foreign corporation | 2.92% | 14,712,309 | | | 14,712,309 | | |
| GAOLING FUND,L.P. | Foreign corporation | 2.47% | 12,446,408 | | | 12,446,408 | | |
| CHINA CONSTRUCTION BANK-YINHUA RICH THEME HYBRID SECURITIES INVESTMENT FUND | Other | 1.47% | 7,423,899 | | | 7,423,899 | | |
| UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD) | Foreign corporation | 1.41% | 7,096,361 | | | 7,096,361 | | |
| CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD. | State-owned corporation | 1.30% | 6,543,600 | | | 6,543,600 | | |
| CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD | Foreign corporation | 1.25% | 6,280,886 | | | 6,280,886 | | |
| UBS (LUX) EQUITY FUND - GREATER CHINA (USD) | Foreign corporation | 0.98% | 4,949,038 | | | 4,949,038 | | |
| GREENWOODS CHINA ALPHA MASTER FUND | Foreign corporation | 0.98% | 4,939,963 | | | 4,939,963 | | |
| 3W GREATER | Foreign | 0.70% | 3,529,479 | | | 3,529,479 | | |

| CHINA FOCUS FUND | corporation | | | | | | | |
|--|--|---|-------------|--|--|--|--|--|
| Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3) | | N/A | | | | | | |
| Related or acting-in-concert parties among the shareholders above | | Among the above shareholders, the Company's controlling shareholder, Anhui Gujing Group Co. Ltd., has no relationship with other shareholders and does not belong to the acting-in-concert stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. In addition, the relationship between other shareholders is unknown, and it is unknown whether it belongs to the acting-in-concert stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. | | | | | | |
| Shareholdings of the top ten non-restricted shareholders | | | | | | | | |
| Name of shareholder | Number of non-restricted shares held at the period-end | Type of shares | | | | | | |
| | | Type | Number | | | | | |
| ANHUI GUJING GROUP COMPANY LIMITED | 271,404,022 | RMB common share | 271,404,022 | | | | | |
| NORGES BANK | 14,712,309 | Domestically listed foreign share | 14,712,309 | | | | | |
| GAOLING FUND,L.P. | 12,446,408 | Domestically listed foreign share | 12,446,408 | | | | | |
| CHINA CONSTRUCTION BANK-YINHUA RICH THEME HYBRID SECURITIES INVESTMENT FUND | 7,423,899 | RMB common share | 7,423,899 | | | | | |
| UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD) | 7,096,361 | Domestically listed foreign share | 7,096,361 | | | | | |
| CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD. | 6,543,600 | RMB common share | 6,543,600 | | | | | |
| CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD | 6,280,886 | Domestically listed foreign share | 6,280,886 | | | | | |
| UBS (LUX) EQUITY FUND - GREATER CHINA (USD) | 4,949,038 | Domestically listed foreign share | 4,949,038 | | | | | |

| | | | |
|--|--|-----------------------------------|-----------|
| GREENWOODS CHINA ALPHA MASTER FUND | 4,939,963 | Domestically listed foreign share | 4,939,963 |
| 3W GREATER CHINA FOCUS FUND | 3,529,479 | Domestically listed foreign share | 3,529,479 |
| Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert | Among the above shareholders, the Company's controlling shareholder, Anhui Gujing Group Co., Ltd., has no relationship with other shareholders and does not belong to the acting-in-concert stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. In addition, the relationship between other shareholders is unknown, and it is unknown whether it belongs to the acting-in-concert stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. | | |
| Explanation on the top 10 shareholders participating in the margin trading business (if any) (see note 4) | N/A | | |

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during this Reporting Period.

☐ Yea ☒ No

No such cases in this Reporting Period.

2. Information about the Controlling Shareholder

Nature of the controlling shareholder: Controlled by the local government

Type of the controlling shareholder: Corporation

| Name of controlling shareholder | Legal representative/person in charge | Date of establishment | Credibility code | Main business scope |
|---|--|-----------------------|--------------------|--|
| ANHUI GUJING GROUP COMPANY LIMITED | Liang Jinhui | 01/16/1995 | 91341600151947437P | Making beverage, construction materials and plastic products, etc. |
| Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period | The controlling shareholder ANHUI GUJING GROUP COMPANY LIMITED directly holds 100,000,000 shares of Huaan Securities Co., Ltd. owning the proportion of shares 2.76% | | | |

Change of the controlling shareholder during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Information about the Actual Controller

Nature of the actual controller: Local administrator for state-owned assets

Type of the actual controller: Corporation

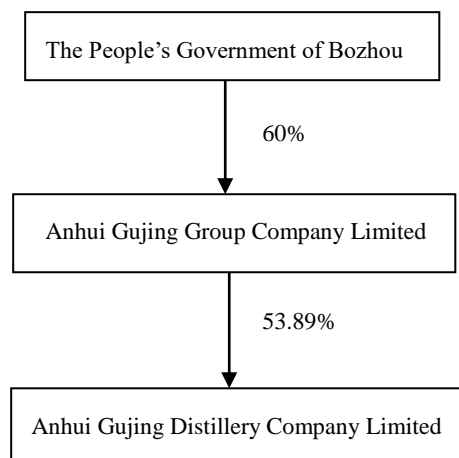
| Name of actual controller | Legal representative/person in charge | Date of establishment | Credibility code | Main business scope |
|---|---------------------------------------|-----------------------|------------------|---------------------|
| The People's Government of Bozhou | N/A | | N/A | N/A |
| Shareholdings of the actual controller in other listed companies at home or abroad in this Reporting Period | N/A | | | |

Change of the actual controller during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

☐ Applicable ☒ Not applicable

4. Other corporate shareholders with a shareholding percentage above 10%

☐ Applicable ☒ Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

☐ Applicable ☒ Not applicable

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Changes in Shareholdings of Directors, Supervisors and Executive Officers

| Name | Office title | Incumbent/former | Gender | Age | Starting date of tenure | Ending date of tenure | Opening shareholding (share) | Increase in this Reporting Period (share) | Decrease in this Reporting Period (share) | Other increase/decrease (share) | Closing shareholding (share) |
|--------------|---|------------------|--------|-----|-------------------------|-----------------------|------------------------------|---|---|---------------------------------|------------------------------|
| Liang Jinhui | Chairman of the Board | Incumbent | Male | 52 | 06/20/2017 | 06/19/2020 | | | | | |
| Li Peihui | Director | Incumbent | Male | 45 | 06/20/2017 | 06/19/2020 | | | | | |
| Zhou Qingwu | Director, GM | Incumbent | Male | 44 | 06/20/2017 | 06/19/2020 | | | | | |
| Yan Lijun | Director, Executive Deputy GM | Incumbent | Male | 45 | 06/20/2017 | 06/19/2020 | | | | | |
| Xu Peng | Director, Deputy GM | Incumbent | Male | 48 | 06/20/2017 | 06/19/2020 | | | | | |
| Ye Changqing | Director, Deputy GM, Secretary of the Board, Chief Accountant | Incumbent | Male | 44 | 06/20/2017 | 06/19/2020 | | | | | |
| Wang Gao | Independent director | Incumbent | Male | 53 | 06/20/2017 | 06/19/2020 | | | | | |
| Song Shuyu | Independent director | Incumbent | Male | 56 | 06/20/2017 | 06/19/2020 | | | | | |
| Du Jie | Independent director | Incumbent | Male | 48 | 06/20/2017 | 06/19/2020 | | | | | |
| Wang | Chairman | Incumbent | Male | 53 | 06/20/2017 | 06/19/2020 | | | | | |

| | | | | | | | | | | |
|------------------|--|-----------|------|----|------------|------------|--|--|--|--|
| Feng | of the Supervisor y Committee | | | 7 | 0 | | | | | |
| Yang Xiaofan | Supervisor | Incumbent | Male | 51 | 06/20/2017 | 06/19/2020 | | | | |
| Fu Qiangxin | Supervisor | Incumbent | Male | 49 | 06/20/2017 | 06/19/2020 | | | | |
| Zhang Bo | Employee supervisor | Incumbent | Male | 53 | 06/20/2017 | 06/19/2020 | | | | |
| Wang Zibin | Employee supervisor | Incumbent | Male | 48 | 06/20/2017 | 06/19/2020 | | | | |
| Zhang Lihong | Deputy GM | Incumbent | Male | 50 | 06/20/2017 | 06/19/2020 | | | | |
| Zhu Xianghong | GM assistant | Incumbent | Male | 44 | 06/20/2017 | 06/19/2020 | | | | |
| Gao Jiakun | GM assistant | Incumbent | Male | 48 | 06/20/2017 | 06/19/2020 | | | | |
| Total | -- | -- | -- | -- | -- | -- | | | | |

II Changes in Directors, Supervisors and Executive Officers

√Applicable □Not applicable

| Name | Office title | Type | Date | Reason |
|--------------|--|-----------|------------|------------------|
| Liang Jinhui | Chairman of the Board | Appointed | 06/20/2017 | Regular election |
| Li Peihui | Director | Appointed | 06/20/2017 | Regular election |
| Zhou Qingwu | Director, GM | Appointed | 06/20/2017 | Regular election |
| Yan Lijun | Director, Executive Deputy GM | Appointed | 06/20/2017 | Regular election |
| Xu Peng | Director, Deputy GM | Appointed | 06/20/2017 | Regular election |
| Ye Changqing | Director, Deputy GM, Secretary of the Board, Chief Accountant | Appointed | 06/20/2017 | Regular election |
| Wang Gao | Independent | Appointed | 06/20/2017 | Regular election |

| | | | | |
|---------------|---------------------------------------|--------------|------------|------------------|
| | director | | | |
| Song Shuyu | Independent director | Appointed | 06/20/2017 | Regular election |
| Du Jie | Independent director | Appointed | 06/20/2017 | Regular election |
| Wang Feng | Chairman of the Supervisory Committee | Appointed | 06/20/2017 | Regular election |
| Yang Xiaofan | Supervisor | Appointed | 06/20/2017 | Regular election |
| Fu Qiangxin | Supervisor | Appointed | 06/20/2017 | Regular election |
| Zhang Bo | Employee supervisor | Appointed | 06/20/2017 | Regular election |
| Wang Zibin | Employee supervisor | Appointed | 06/20/2017 | Regular election |
| Zhang Lihong | Deputy GM | Appointed | 06/20/2017 | Regular election |
| Zhu Xianghong | GM assistant | Appointed | 06/20/2017 | Regular election |
| Gao Jiakun | GM assistant | Appointed | 06/20/2017 | Regular election |
| Wang Ruihua | Independent director | Leave office | 06/19/2017 | Regular election |

III Brief Biographies

Professional backgrounds, main working experience and current responsibilities in the Company of the incumbent directors, supervisors and executive officers

1. Mr. Liang Jinhui, male, born in October 1966, is Political Engineer and a deputy to the 13th National People's Congress who has educational experience of graduate student, incumbent president of the Company and president and Secretary of CPC of Gujing Group. He ever took the post of MD, GM, Deputy GM, GM of Bozhou Gujing Sales Co., Ltd., Supervisor of Third Supervisory Committee, Director of the 4th, 5th and 6th Board of Directors and Chairman of the 7th Board of Directors of the Company.
2. Mr. Li Peihui, male, born in July 1973, is a holder of master degree. He is a senior accountant, CPA and member of national leading accounting talents. At present, he acts as the Company's Vice Secretary of CPC and president of Gujing Group. He had ever served as deputy GM and GM of Financial Department, deputy chief accountant, chief accountant, Secretary of Board of Directors and Director of the Company; Chairman of the Board of Anhui Ruijing Business Travel Group Co. and Anhui Huixin Financial Investment Group; executive vice president and CFO of Gujing Group; and director of the 7th Board of Directors.
3. Mr. Zhou Qingwu, male, born in February 1974, is a senior accountant and national chief sommelier with educational experience of graduate student. At present, he is Director and General Manager of the Company, Vice Secretary of CPC of Gujing Group. He had ever acted as Chairman and General Manager of Bozhou Gujing Packing Material Co., Ltd., Deputy GM and deputy executive GM of the Company and Director of the 5th, 6th and 7th Board of Directors of the Company.
4. Mr. Yan Lijun, male, June 1973, is a holder of master degree with Senior Taster. Now he is Director, Executive Deputy GM of the Company, member of CPC Committee of Gujing Group, Chairman of the Board and GM of Bozhou Gujing Sales Co., Ltd. He once worked as a salesman of Sale Company, District Manager, Director of Market Research, Vice Manager of Planning Department,

Director of Hefei Strategic Operations Center, Vice GM and director of the 7th Board of Directors of the Company.

5. Mr. Xu Peng, male, born in September 1970, has educational experience of undergraduate college. He is incumbent Director and Deputy GM of the Company, member of CPC Committee of Gujing Group, Chairman of the Board of Wuhan Tianlong Yellow Crane Tower Liquor Industry Co., Ltd. And he had ever acted as Deputy Director and Director of Finance Second Office of Finance Department of the Company, Manager of Finance Department of Anhui Laobada Co., Ltd., and Vice Manager and Manager of Finance Department of the Company, Deputy General Manager and Chief Supervisor of Market Supervision Department of Bozhou Gujing Sales Company, Chairman of the Supervisory Committee of the Company and Chairman of the 7th Board of Directors.

6. Mr. Ye Changqing, male, born in October 1974, is a member of national leading accounting talents (back up) with master degree and International Certified Internal Auditor. He is the incumbent Director, Deputy GM, Chief Accountant and Secretary of Board of Directors of the Company. He had ever acted as Chief Auditor of Audit Department, Vice Manager of Audit Department and Vice Supervisor and Supervisor of Auditing & Supervision Department; and Supervisor of the 4th Supervisory Committee of the Company; Director and Secretary of the 5th, 6th, and 7th Board of Directors, and Chief Accountant of the Company.

7. Wang Gao, Male, born in April 1965, Doctor of Sociology, Professor of Marketing and vice dean in China Europe International Business School., Academic Director of Chief Marketing Officer (CMO) Project, Co-Director of Chinese Enterprise Globalization Research Center and independent director of GOME Holdings Co., Ltd.. He once worked as Associate Professor, Deputy Dean of Department of Marketing in School of Economics and Management, Tsinghua University, deputy director of China's Retail Research Center Academic Director of Harvard - central Europe - Tsinghai university senior managers (SEPC) project. Strategic Analysis Manager of Minute Maid Branch of Coca-Cola Company and senior counselor of The Information Resources Co., Ltd. (IRI).

8. Song Shuyu, male, born in November 1962, is Senior Engineer and Master of Chinese Wine with educational experience of graduate student. Now, he is Deputy President and Secretary General of China Alcoholic Drinks Association, Secretary-general of Liquor Branch Association, Secretary General of Market Professional Committee, Secretary General of White Wine Club Technical Committee, specialist who enjoy the special allowance of the state council. He also is member of Chinese liquor standardization technical committee, Deputy Secretary General of strong-flavor, Feng-flavour, soybean-flavor and rice flavour Liquor Technical Committee of Chinese Liquor Standardization Technical Committee, Chairman of Committee of Te-flavour Chinese spirits and Laobaigan-flavour Chinese spirits standardization technical committee.

9. Mr. Du Jie, male, born in December 1970 is a senior accountant with postgraduate degree, CPA and CTA. Now he is a advisory service leading partner of Huapu Tianjian Certified Public Accountants (LLP), internal control advisory expert specially hired by Anhui Provincial Department of Finance, managing accounting advisory expert specially hired by Beijing Municipal Bureau of Finance, expert talent in Beijing CPA, master tutor specially hired by Business School of Anhui University, independent director of Shaanxi Bicon Pharmaceutical Company Limited, Beijing NAV Technology Co., Ltd. and Tianjin Lishen Battery Joint-stock Co., Ltd. He once acted as senior manager in Business Risk Service Division of Deloitte & Touche and advisory expert in business internal control specially hired by the Ministry of Finance.

10. Mr. Wang Feng, male, born in October 1965, is Senior Economic Engineer who is postgraduate degree holder, incumbent Chairman of the Supervisor committee, Deputy Secretary of CPC of Gujing Group and Secretary of Discipline Inspection Commission. He had ever acted as Director and Secretary of the Second Board of Directors of the Company, Vice General Manager and General Manager of the Company, Director and Chairman of the 3rd and 4th Board of Directors of the Company, Director of the 5th, 6th, and 7th Board of Directors, and Chairman of the 7th Supervisory Committee of the Company.

11. Mr. Yang Xiaofan, male, born in April 1967, is a holder of master degree. At present, he is Supervisor of the Company and Vice President and member of CPC Committee of Gujing Group. He once acted as Vice President and General Manager of Anhui Gujing Real Estates Group Co., Ltd., Assistant to President of Gujing Group; Director of the 5th, 6th and 7th Board of Directors of the Company and Supervisor of the 7th Supervisory Committee.

12. Mr. Fu Qiangxin, male, born in October 1969, is a senior accountant with bachelor degree. Now he serves as Supervisor of the Company and GM of Anhui Huixin Finance Investment Group Co., Ltd. He ever took posts of accountant of Bozhou Gujing Hotel,

Manager of Finance of Bozhou Gujing Integrated Services Company and Bozhou Gujing Import and Export Trade Company, clerk of Planning and Finance Department, Chief Inspector of Internal Audit Center and Director of Financial Management Center of Gujing Group and Supervisor of the 7th Supervisory Committee of the Company.

13. Mr. Zhang Bo, male, born in July 1965, is an economist with bachelor degree. Now, he serves as Employee Supervisor of the Company and Chairman of the Labor Union of Gujing Group. He once worked as Chairman of the board and GM of Bozhou Gujing Printing Co., Ltd. and Bozhou Gujing Glassware Manufacturing Co., Ltd. as well as Chairman of the Board of Bozhou Ruineng Heat and Power Co., Ltd. and Supervisor of the 7th Supervisory Committee of the Company.

14. Mr. Wang Zibin, was born in August 1970 with college degree, CIA and CPA. Now he is Employee Supervisor of the Company, Deputy Secretary of Commission for Discipline and Inspection and Director of Audit and Supervisory Centre of Gujing Group. He once served as GM of Auditing Department of Gujing Group, vice director of Hefei marketing centre of Bozhou Gujing Sales Company and Supervisor of the 7th Supervisory Committee of the Company.

15. Mr. Zhang Lihong, male, born in October 1968, is an economist with bachelor degree. He is incumbent Deputy GM of the Company and member of CPC Committee and deputy secretary of Commission for Discipline and Inspection of Gujing Group. He once acted as clerk, Secretary of Operation Department and Market Development Department, Deputy GM, Director of General Office, Director of Service Centre of Bozhou Gujing Sales Co., Ltd., Director of HR Department and Administrative Service Center of the Company.

16. Mr. Zhu Xianghong, male, born in September 1974, is a senior Wine Taster with bachelor degree. He is incumbent assistant to GM of the Company, and GM of Wuhan Tianlong Yellow Crane Tower Liquor Industry Co., Ltd. He once acted as GM of Product Department of Bozhou Gujing Sales Co., Ltd., GM of Hefei Office, regional GM of Northern Anhui Province, GM of Anhui Operating Centre and standing Deputy GM of Sales Company.

17. Mr. Gao Jiakun, male, born in November 1970, is a holder of bachelor degree. He is incumbent assistant to GM of the Company. He once served as GM of Production Management Department, Vice Director of Production Management Centre, Chairman of the Board and GM of Bozhou Pairuite Packing Products Co., Ltd., Director of Finished Products Filling Centre and Production Management Centre of the Company.

Post-holding in shareholder units

√Applicable □Not applicable

| Name | Shareholding entity | Post | Starting date of tenure | Ending date of tenure | Allowance from the shareholding entity (yes/no) |
|--------------|------------------------------|---|-------------------------|-----------------------|---|
| Liang Jinhui | Anhui Gujing Group Co., Ltd. | Chairman of the Board of Directors, Chairman of Party Committee | 05/01/2014 | | Yes |
| Li Peihui | Anhui Gujing Group Co., Ltd. | Deputy Chairman of Party Committee, President | 10/31/2017 | | Yes |
| Wang Feng | Anhui Gujing Group Co., Ltd. | Deputy Chairman of Party | 08/01/2010 | | Yes |

| | | | | | |
|---|--|---|------------|--|-----|
| | | Committee, Chairman of Discipline Inspection Committee | | | |
| Yang Xiaofan | Anhui Gujing Group Co., Ltd. | Vice President | 11/01/2009 | | Yes |
| Zhang Bo | Anhui Gujing Group Co., Ltd. | Chairman of the Labor Union | 10/16/2015 | | Yes |
| Wang Zibin | Anhui Gujing Group Co., Ltd. | Deputy Chairman of Discipline Inspection Committee, Director of Auditing & Supervision Center | 04/27/2015 | | Yes |
| Notes to post-holding in shareholder units | The above-mentioned personnel, though they take posts in shareholders' entities, comply with the relevant employment requirements of Company Law, Securities Law and never disciplined by CSRC, other relevant departments and the Stock Exchange. | | | | |

Posts held concurrently in other entities

☒Applicable ☐Not applicable

| Name | Other entity | Post | Starting date of tenure | Ending date of tenure | Allowance from the entity (yes/no) |
|---|--|------|----------------------------|--------------------------|---------------------------------------|
| Fu Qiangxin | Anhui Huixin Finance Investment Group Co., Ltd. | GM | 11/27/2017 | | Yes |
| Notes to post-holding in other entities | Anhui Huixin Finance Investment Group Co., Ltd. is a wholly-owned subsidiary of Anhui Gujing Group Co., Ltd. | | | | |

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this Reporting Period

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Executive Officers

Decision-making procedure, determination basis and actual remuneration payment of directors, supervisors and executive officers

(I) Decision-making procedure of remuneration for Directors, Supervisors and Executive Officers

The Remuneration & Appraisal Committee under the Board of Directors is in charge of drafting appraisal index of senior management and checking accomplishment of annual index.

(II) Determination basis of remuneration for Directors, Supervisors and Executive Officers

The remuneration is determined based on the annual performance of the Company and the appraisal result and determined in accordance with the spirits in the *Implementation Opinion on Deepening the System Reform of Remuneration of Chargers in Provincial Enterprises* (WF[2015]No.28) issued by the CPC Anhui Provincial Committee and the People's Government of Anhui as well as the *Implementing Scheme of Deepening the System Reform of Remuneration of Chargers in Municipal Enterprises* (Discussion Paper) issued by the Municipal Party Committee of Bozhou.

(III) Actual Payment of remuneration for Directors, Supervisors and Executive Officers

Payment of the remuneration of Directors, Supervisors and Executive Officers is with certain amount in advance monthly and distributed annually according to check.

Remuneration of Directors, Supervisors and Executive Officers of the Company during the Reporting Period is listed as follows:

Unit: RMB'0,000

| Name | Office title | Gender | Age | Incumbent/former | Total remuneration from the Company | Remuneration from related parties of the Company (yes/no) |
|--------------|---|--------|-----|------------------|-------------------------------------|---|
| Liang Jinhui | Chairman of the Board | Male | 52 | Incumbent | | Yes |
| Li Peihui | Director | Male | 45 | Incumbent | | Yes |
| Zhou Qingwu | Director, GM | Male | 44 | Incumbent | 51.78 | No |
| Yan Lijun | Director, Executive Deputy GM | Male | 45 | Incumbent | 159.11 | No |
| Xu Peng | Director, Deputy GM | Male | 48 | Incumbent | 86.72 | No |
| Ye Changqing | Director, Deputy GM, Secretary of the Board, Chief Accountant | Male | 44 | Incumbent | 85.29 | No |
| Wang Gao | Independent director | Male | 53 | Incumbent | 7.5 | No |
| Song Shuyu | Independent director | Male | 56 | Incumbent | 7.5 | No |
| Du Jie | Independent director | Male | 48 | Incumbent | | No |
| Wang Feng | Chairman of the Supervisory Committee | Male | 53 | Incumbent | | Yes |
| Yang Xiaofan | Supervisor | Male | 51 | Incumbent | | Yes |
| Fu Qiangxin | Supervisor | Male | 49 | Incumbent | | Yes |

| | | | | | | |
|---------------|----------------------|------|----|----------------|--------|-----|
| Zhang Bo | Employee supervisor | Male | 53 | Incumbent | | Yes |
| Wang Zibin | Employee supervisor | Male | 48 | Incumbent | | Yes |
| Zhang Lihong | Deputy GM | Male | 50 | Incumbent | 85.96 | No |
| Zhu Xianghong | GM assistant | Male | 44 | Incumbent | 139.59 | No |
| Gao Jiakun | GM assistant | Male | 48 | Incumbent | 69.82 | No |
| Wang Ruihua | Independent director | Male | 56 | Leaving office | 7.5 | No |
| Total | -- | -- | -- | -- | 700.77 | -- |

Equity incentives for directors, supervisors and executive officers in this Reporting Period

☐ Applicable ☒ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

| | |
|---|---------------------|
| Number of in-service employees of the Parent Company | 5,451 |
| Number of in-service employees of main subsidiaries | 2,540 |
| Total number of in-service employees | 7,991 |
| Total number of employees with remuneration in this Reporting Period | 7,991 |
| Number of retirees to whom the Parent Company or its main subsidiaries need to pay retirement pension | 914 |
| Functions | |
| Function | Number of employees |
| Production | 5,194 |
| Sales | 1,500 |
| Technical | 330 |
| Financial | 187 |
| Administrative | 780 |
| Total | 7,991 |
| Education | |
| Category | Number |
| High school or below | 4,727 |
| Junior college | 1,482 |

| | |
|-----------------|-------|
| Bachelor | 1,722 |
| Master or above | 60 |
| Total | 7,991 |

2. Employee Remuneration Policy

The remuneration policy was conducted strictly in line with the related law and regulations of the state, and the plan of operation performance and profits of the Company and the relevant remuneration policy management.

3. Employee Training Plans

Employee training is significant in the Human resource management. The Company always pay high attention to the employee training and development, the Company sets up effective training plan combining with the current situation of the Company, annual plan, nature of the post and the demand of employee learning, which includes new employee induction training, on-job training, front-line employee operating skills training, management improvement training and part-time study. Continuously improve the whole quality of the employees, realized a win-win situation and progress between the Company and the employees.

4. Labor Outsourcing

☐ Applicable ☒ Not applicable

Part IX Corporate Governance

I Basic Situation of Corporate Governance

Since foundation, the Company constantly perfects corporate governance structure and standardize its management strictly in accordance with the Company Law, Securities Law, Standard for Governance of Listed Companies, Guide Opinion on Setting up Independent Directors Systems for Listed Companies as well as principles and requirements of other relevant laws, regulations and normative documents.

In the reporting period, the Company developed internal control activity, implemented Rules on Management of Assets Provision for Impairment, The Policy on the Liability of Disclosing Materially Inaccurate Information in Annual Report, Rules for Management of External Information User and Rules for Management of Insider of Inner Information, perfected internal control system step by step, promoted normative operation and healthy development. The Board of Directors, the Supervisory Committee and the management of the Company make decisions, perform rights and assume obligation strictly according to the standard operation rules and inner control system so as to make sure the standard operation of the Company in the frame of rules and systems.

In the reporting period, according to requirements of China Securities Regulatory Commission and Rules for Listing of Shares in Shenzhen Stock Exchange and with the “open, fair and just” principle, the Company seriously and timely performed information disclosure obligation and guaranteed that the information disclosed is true, accurate and complete, free from fictitious presentation, misleading statements or important omissions, so that all the shareholders will equally acquaint themselves with all the notices of the Company.

After the reporting period, the Company will continuously optimize and perfect the corporate governance of listed companies, further improve the standard operation of the Company.

Any significant incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

☐ Yes ☒ No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

II Independence of Businesses, Personnel, Asset, Organizations and Finance which are Separate from the Controlling Shareholder

The company and the controlling shareholder, Anhui Gujing Group Co., Ltd., realized five independences in terms of business, personnel, assets, organizations and financial affairs, with separate independent calculation, independent and complete business, independent operation ability, and independent responsibilities and risks. Majority shareholders cannot surpass the shareholders' general meeting to directly or indirectly interfere with the Company's decisions and legal production as well as operation activities, and there is no same trade competition state of the same products between the company and majority shareholders.

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Special Meetings of Shareholders Convened during this Reporting Period

1. Meetings of Shareholders Convened during this Reporting Period

| Meeting | Type | Investor participation ratio | Convened date | Disclosure date | Index to the disclosed information |
|---|--------|------------------------------|---------------|-----------------|--|
| The 2016 Annual Meeting of Shareholders | Annual | 63.60% | 06/20/2017 | 06/21/2017 | Announcement on Resolutions of 2016 Annual Meeting of Shareholders disclosed on www.cninfo.com.cn |

2. Special Meetings of Shareholders Convened at the Request of Preference Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

V Performance of Independent Directors in this Reporting Period

1. Attendance of Independent Directors in Board Meetings and Meetings of Shareholders

| Attendance of independent directors in board meetings and meetings of shareholders | | | | | | | |
|--|--|---|--|---|------------------------------------|---|---|
| Independent director | Due presence in this Reporting Period for board meetings (times) | Presence on site for board meetings (times) | Presence by telecommunication for board meetings (times) | Presence through a proxy for board meetings (times) | Absence for board meetings (times) | Absent for two consecutive times for board meetings | Presence for meetings of shareholders (times) |
| Wang Ruihua | 2 | 0 | 2 | | | No | 1 |
| Wang Gao | 6 | 0 | 6 | | | No | 0 |
| Song Shuyu | 6 | 1 | 5 | | | No | 1 |
| Du Jie | 4 | 1 | 3 | | | No | 1 |

Note to non-attendance in person for two consecutive times

2. Objections Raised by Independent Directors on Issues of the Company

Whether independent directors propose objection on relevant events or not

☐ Yes ☒ No

No such cases in this Reporting Period.

3. Other Details about the Performance of Duties by Independent Directors

Whether advices to the Company from independent directors were adopted or not

☒ Yes ☐ No

Explanation on the advices of independent directors for the Company being adopted or not adopted

During Reporting Period, the independent directors of the Company made professional opinion or suggestions on the Company's business decision in strict accordance with the relevant laws, regulations and the Articles of Association of the Company, and provided independent opinion on issues needing independent directors' opinion in the independent exercise of their duties, playing a due role in safeguarding the legitimate rights and interests of the Company's shareholders.

VI Performance of Duties by Specialized Committees under the Board during this Reporting Period

1. Duty performance of the Strategy Committee

The Strategy Committee is under the leadership of the Board of Directors. In the Reporting Period, in strict compliance with the Specific Implementation Rules for the Strategy Committee, the Strategy Committee conscientiously performed its duties, making a lot of constructive suggestions for the efficient execution of the Company's strategy.

2. Duty performance of the Audit Committee

In the reporting period, five members of the Audit Committee diligently and responsibly performed their duties as stipulated in the relevant rules of the Company:

(1) It reviewed the periodical reports of the Company in 2017.

(2) Upon discussion with Ruihua Certified Public Accountants for the 2017 annual audit, it determined the schedule for the financial report and internal control audit for 2017.

(3) It communicated in advance with the CPAs firm and independent directors before the CPAs firm came to the Company and started the 2017 annual audit.

(3) It reviewed the short form of the preliminary financial statements prepared by the financial department of the Company for the first time before the annual auditor came to the Company and made some helpful suggestions.

(5) After the annual auditor came to the Company and started the audit, it communicated with the registered accountants on the problems found in the audit and the submission time of the audit report.

(6) After the annual auditor issued the preliminary audit opinion, it reviewed the 2017 annual financial statements again and made the final resolution.

3. Duty performance of the Nomination Committee

In the reporting period, in strict compliance with the Specific Implementation Rules of the Nomination Committee, the Nomination Committee vigorously worked on various tasks, which ensured that the senior management staffs of the Company were hired in compliance with laws and regulations.

(1) In the Reporting Period, the senior management staff hired by the Company satisfied the requirements of the Company Law and other relevant laws and regulations. They were qualified as senior management staff. They were not in such a case where the Company Law should forbid them from being senior management staff. Nor they were forbidden by CSRC from entering the securities market.

(2) In the Reporting Period, the senior management staff of the Company were nominated and hired in line with the Company Law and the Company's Articles of Association. The hired personnel have never been punished by CSRC, other relevant authorities or stock exchanges.

4. Duty performance of Remuneration and Appraisal Committee

(1) The Remuneration and Appraisal Committee affiliated to the Board of Directors, according to relevant regulations of

Implementation Rules of Remuneration and Appraisal Committee successfully completed the annual performance appraisal to directors, supervisors and senior executives in line with standards and procedures of performance appraisal during the reporting period.

(2) Through the deliberation and assessment of the committee, the consistent opinion was that the general remuneration level complied with development of the Company; the remuneration level of directors, supervisors and senior executives accurately reflected the overall performance situation of the Company and individual work performance, which complied with the remuneration management system; the remuneration plan and procedure of issuing remuneration were in accordance with the laws and did not violate relevant national laws and regulations.

VII Performance of Duties by the Supervisory Committee

Did the Supervisory Committee find any risks to the Company during its supervision in this Reporting Period?

☐ Yes ☒ No

The Supervisory Committee raised no objections in this Reporting Period.

VIII Appraisal and Incentive for Executive Officers

The Company has set up a Performance Appraisal and Incentive Mechanism for Senior Executives, which links remuneration of senior executives with the Company' performance, the decision-making management adopts the assessment and incentive measures by linking the annual remuneration with the Company' economic indexes & management achievement. To promote the standard, healthy and orderly development of the Company and keep the stability of the Executive Officers, the Company annually sets up the assessment index for them and signs a written responsibility of business target at the year-begin, then decides their remuneration and the rewards & punishment at the year-end according to their personal work performance and completion of the Company's operating target.

IX Internal Control

1. Serious Internal Control Defects Found in this Reporting Period

☐ Yes ☒ No

2. Internal Control Self-evaluation Report

| | |
|---|---|
| Disclosure date of the Self-appraisal Report on Internal Control | 04/28/2018 |
| Disclosure index of the Self-appraisal Report on Internal Control | See www.cninfo.com.cn for the Anhui Gujing Distillery Company Limited Self-assessment Report of Internal Control |
| The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements | 98.43% |
| The proportion of operation revenue included in evaluation scope entities in | 97.69% |

| the Company's operation revenue of the consolidated financial statements | | |
|--|---|--|
| Defect identification standards | | |
| Type | Financial-report related | Non-financial-report related |
| Qualitative criteria | <p>Critical defect: Separate defect or other defects that result in failure in preventing, finding out and correcting major wrong reporting in financial report in time. The following circumstances are deemed as critical defects: (1) Ineffective in controlling the environment; (2) Malpractice of directors, supervisors and senior management officers; (3) According to external auditing, there's major wrong reporting in current financial report, which fails to be found by the company in its operating process; (4) Major defects found and reported to the top management fail to be corrected within a reasonable period of time; (5) The supervision of audit committee of the company and its internal audit department for internal control is ineffective; (6) Other defects that may affect correct judgment of users of statements. Major defect: Separate defect or other defects that result in failure in preventing, finding out and correcting wrong reporting in financial report in time, which shall be noted by the top management despite of not attaining or exceeding critical level. Minor defect: Other internal control defects not constituting critical or major defects.</p> | <p>Any of the following circumstances shall be deemed as a critical defect, and other circumstances shall be deemed as major or minor defects according to their degree of impact.</p> <p>(1) Violate national laws, regulations or standardized documents;</p> <p>(2) Major decision making procedure is not scientific;</p> <p>(3) Lack of systems results in systematic failure;</p> <p>(4) Critical or major defects fail to be rectified;</p> <p>(5) Other circumstances that have major impact on the company.</p> |
| Quantitative criteria | <p>Critical defect:</p> <p>(1) Wrong reporting $\geq 0.5\%$ of total operating revenue;</p> <p>(2) Wrong reporting $\geq 5\%$ of total profit;</p> <p>(3) Wrong reporting $\geq 0.5\%$ of total assets;</p> <p>(4) Wrong reporting $\geq 0.5\%$ of total owner's equity.</p> <p>Major defect:</p> <p>(1) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total operating revenue;</p> | <p>Critical defect: The defect with direct property loss amounting to over RMB10 million, has great negative impact on the company and is disclosed in public in the form of announcement.</p> <p>Major defect: The defect with direct property loss amounting to RMB1 million to RMB10 million (included), or is penalized by governmental authority of the country but has not resulted in</p> |

| | | |
|--|---|---|
| | <p>(2) Wrong reporting $\geq 2\%$ but $< 5\%$ of total profit;</p> <p>(3) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total assets;</p> <p>(4) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total owner's equity.</p> <p>Minor defect:</p> <p>(1) Wrong reporting $< 0.2\%$ of total operating revenue;</p> <p>(2) Wrong reporting $< 2\%$ of total profit;</p> <p>(3) Wrong reporting $< 0.2\%$ of total assets;</p> <p>(4) Wrong reporting $< 0.2\%$ of total owner's equity.</p> | <p>negative impact on the company.</p> <p>Minor defect: The defect with direct property loss no more than RMB1 million (included), or is penalized by governmental authority of the provincial-level or below but has not resulted in negative impact on the company.</p> |
| Number of serious financial-report-related defects | | 0 |
| Number of serious non-financial-report-related defects | | 0 |
| Number of important financial-report-related defects | | 0 |
| Number of important non-financial-report-related defects | | 0 |

X Auditor's Report on Internal Control

☒Applicable ☐Not applicable

| Opinion paragraph in the auditor's report on internal control | |
|---|--|
| We believe that the Company has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on December 31, 2017. | |
| Particulars about Audit Report on Internal Control | Disclosed |
| Disclosure date of the Audit Report on Internal Control | 04/28/2018 |
| Disclosure index of the Audit Report on Internal Control | See www.cninfo.com.cn for <i>Audit Report of Internal Control</i> |
| Type of Audit Report on Internal Control | Standard unqualified opinion |
| Whether there is significant defect in non-financial report | No |

Whether an Audit Report on Internal Control was issued by the CPAs firm with non-standard opinion or not?

☐ Yes ☒ No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

√ Yes ☐ No

Part X Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

Part XI Financial Report

I Auditor's Report

| | |
|--------------------------------------|---|
| Type of auditor's opinion | Standard unqualified opinion |
| Date of signing the auditor's report | 04/26/2018 |
| Name of the auditor | Ruihua Certified Public Accountants (LLP) |
| No. of the auditor's report | Ruihua Audit Report |
| Name of CPA | Zhang Liping and Zhang Xianfa |

Text of the Auditor's Report

To the Shareholders of Anhui Gujing Distillery Co., Ltd.,

I. Audit Opinion

We have audited the accompanying financial statements of Anhui Gujing Distillery Co., Ltd. (hereafter, the Company), which include the Consolidated and Separate Statements of Financial Position as of 31 December 2017, the Consolidated and Separate Statements of Comprehensive Income, the Consolidated and Separate Statements of Cash Flows, and the Consolidated and Separate Statements of Changes in Shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the Financial Statements of the Company have been prepared in accordance with the Enterprise Accounting Standards of China and present fairly, in all material respects, the consolidated and separate financial position of Anhui Gujing Distillery Co., Ltd. as at 31 December 2017 and its consolidated and separate results of operations and consolidated and separate cash flows for the year then ended.

II. The basis for Forming the Audit Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountants' Auditing Standards (hereafter, the Standards). Section VI of this Report further illustrate our responsibilities in accordance with the Standards. In accordance with the Chinese Certified Public Accountants Ethical Requirements, we are independent of the Company and fulfill our ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide an adequate basis for our audit opinion.

III. Key Audit Items

Key audit items are the items which we believe, based on our professional judgment, to be significant in the audit of financial statements for the current period. Audit response to these items has been designed and implemented in the context of auditing the financial statements as a whole for the purpose of expressing an audit opinion on the financial statements, and we do not express an opinion on each of these items individually. We believe that the following items are the key audit items which warrant disclosure in the audit report.

Revenue recognition

1.1 Description

The revenue of distilled spirit amounted to CNY 6.822 billion for the year 2017, accounting for 97.90% of the total operating revenue, increasing 16.10% than last year. As revenue is one of the key performance indicators of the Company, and there is inherent risk of material misstatement in the revenue recognition, we identify revenue recognition as a key audit item.

1.2 Audit response

In response to this key audit item, we have implemented the following audit procedures:

1.2.1 We obtained an understanding and evaluated the design of internal control from the sales order authorization to the booking of revenue, examined the effectiveness of the implementation of the key control points. We also examined the general control over the information system of the Company and automatic control related to sales cycle.

1.2.2 We selected samples to test sales contracts, interviewed with the management, analyzed the timing when significant risks and rewards related to the recognition of revenue transferred, in order to evaluate the rationality of revenue recognition policies.

1.2.3 We performed analytical review procedure on operating revenue, including analyzing the changes of the main dealer customers, and the changes of revenue and gross profit margin between the current period and previous periods as well as other companies in the same industry, in order to evaluate the rationality of revenue recognition.

1.2.4 We selected samples to trace to the source documents for the recognized revenue in order to verify the occurrence of operating revenue. Meanwhile, we selected certain original documents to examine the book record in order to verify the completeness of operating revenue.

1.2.5 We sent confirmations to major customers of the Company, conducted field visits to customers with large sales volume, visited their business premises and warehouses, selected samples to examine their original documents of sales to the end customers, and assessed the authenticity of their terminal sales in order to verify the occurrence of operating revenue.

1.2.6 We performed cutoff test on revenue to evaluate whether operating revenue had been recorded in the correct fiscal period.

The existence, valuation and allocation of inventory

Description

The inventory of the Company amounted to CNY 2.064 billion as of 31 December 2017, accounting for 20.33% of the total asset, of which the self-made semi-finished products and the finished products amounted to CNY 1.705 billion approximately, accounting for 82.62% of the total inventory at the year end. As inventory is the most important asset for liquor companies, and the balance of inventory at the year end was relatively high and accounted for a large proportion of the total assets, we identify the existence, valuation and allocation of inventory as a key audit item.

Audit response

In response to this key audit item, we have implemented the following audit procedures:

1.2.1 We obtained an understanding and evaluated the design of internal control related to cost accounting, inventory stock in and stock out, and stocktaking, examined the effectiveness of the implementation of the key control points. We also examined the general control over the information system of the Company and automatic control related to inventory cycle.

1.2.2 We obtained an understanding of the accounting policy related with inventory, and evaluated whether it was in consistent with the applicable accounting standards and the policy in the previous years.

1.2.3 We performed analytical review procedures: a) we calculated inventory turnover rate and compared it with previous period and other companies in the same industry; b) we compared the inventory ending balance and the composition of inventory between different months and different accounting periods to determine the overall rationality of the year-end balance and its compositions.

1.2.4 We performed stocktaking observation procedure, selected samples to examine the quantities and conditions of the inventories.

1.2.5 We selected samples to examine the cost calculation table and related documents, tested the pricing of inventory, and evaluated the accuracy of the ending balance of inventory.

1.2.6 We obtained the inventory aging list at the end of the year, analyzed the aged inventory by considering the market condition of the product, evaluated the rationality of the provision for inventory impairment; We obtained the calculation table of the inventory impairment, reviewed the inventory impairment testing process, selected samples to examine whether the procedures are performed in accordance with relative accounting policies of the Company, reviewed the current-period change of the provision of inventory impairment in the previous period, and verified whether the provision of inventory impairment is sufficient.

IV. Other Information

The management of the Company is responsible for other information. Other information includes information included in the Company's 2017 annual report; however, other information does not include the financial statements or our audit report.

The audit opinion expressed by us on the financial statements does not apply to other information. We do not express assurance opinion in any form on the other information.

In parallel to our audit of the financial statements, our responsibilities include reading other information and assessing if the information included in other information is significantly inconsistent with the financial statements or information obtained during the audit and if there is possible material misstatement in other information.

Where we identify material misstatement in other information based on our works, we shall report such fact. Based on our work, we have no such matter to be reported.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company (hereafter, the management) is responsible for preparing and presenting the financial statements in accordance with Enterprise Accounting Standards of China and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company's going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, discontinue operation of the Company or has no other practical alternative.

Those charged with governance are responsible for monitoring the Company's financial reporting process.

VI. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatements, whether due to fraud or error; and issue an audit report which includes an audit opinion. Reasonable assurance is a high-level assurance; however, a high-level assurance does not guarantee a material misstatement is always detected by an audit performed in accordance with the Standards. A misstatement can result from either frauds or errors. Misstatements are material if individually or in aggregate the misstatements may influence the economic decision of the users of the financial statements by using the financial statements.

During the performance of our audit in accordance with the Standards, we involve professional judgments and maintain professional skepticism; also, we perform the following procedures:

A. We identify and assess risks of material misstatements resulted from fraud or error; design and implement audit procedures to mitigate those risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, false statement or override over internal controls, the risk of not detecting material misstatements resulted from fraud is higher than the risk of not detecting material misstatements resulted from the error.

B. We obtain an understanding of internal controls relevant to the audit and design audit procedures accordingly.

C. We assess the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates adopted by and related disclosure presented by the management.

D. We conclude on the appropriateness of the management's going-concern assumption; we also conclude on the existence of significant uncertainty in relation to matters or events which may trigger significant doubt on the Company's going-concern status. Where we conclude that significant uncertainty exists, we disclose in our audit report, in accordance with the Standards, a paragraph that the users of the financial statements shall pay attention to the relevant disclosure in the financial statements. Where disclosure is insufficient, we express a qualified opinion. Our conclusion is formed on the basis of information available up to the date our audit report; however, future matters and events may still affect the Company's going-concern status.

E. We evaluate the overall presentation, structure, and contents (including disclosure) of the financial statements; we also evaluate the

fairness of transactions and balances presented by in the financial statements.

F. We obtain sufficient and appropriate audit evidence regarding the Company's financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the guidance, supervision, and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the planned audit scope, timing arrangement, and significant audit findings; we also communicate with those charged with governance internal control weakness, which warrants attention, identified during our audit.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence, as well as, where applicable, the relevant precautions.

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest, we do not disclose such items in the audit report.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Current Period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ruihua Certified Public Accountants (LLP)

CPA:

Beijing · China

CPA:

April 26, 2018

II Financial Statements

Currency unit for the statements in the notes to the financial statements: RMB

1. Consolidated Balance Sheet

Prepared by Anhui Gujing Distillery Company Limited

December 31, 2017

Unit: RMB

| Item | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Current assets: | | |
| Monetary assets | 1,484,088,626.40 | 532,909,026.07 |
| Settlement reserve | | |
| Interbank loans granted | | |
| Financial assets at fair value through profit or loss | 99,800.76 | 429,190.68 |
| Derivative financial assets | | |
| Notes receivable | 720,611,126.78 | 534,386,586.59 |
| Accounts receivable | 22,466,143.06 | 12,287,262.88 |
| Prepayments | 41,729,637.34 | 74,784,221.59 |
| Premiums receivable | | |
| Reinsurance receivables | | |
| Receivable reinsurance contract reserve | | |
| Interest receivable | 13,883,178.08 | 2,843,178.08 |
| Dividends receivable | | |
| Other receivables | 15,390,106.14 | 10,765,397.03 |
| Financial assets purchased under resale agreements | | |
| Inventories | 2,064,130,297.51 | 1,786,433,036.50 |
| Assets classified as held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 1,772,310,946.58 | 1,750,278,829.24 |
| Total current assets | 6,134,709,862.65 | 4,705,116,728.66 |
| Non-current assets: | | |
| Loans and advances to customers | | |
| Available-for-sale financial assets | 517,086,347.91 | 404,029,552.27 |

| | | |
|--|-------------------|------------------|
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | | |
| Investment property | 5,343,777.33 | 8,402,944.74 |
| Property, plant and equipment | 1,792,254,178.56 | 1,865,691,585.06 |
| Construction in progress | 54,496,798.56 | 71,771,324.26 |
| Construction materials | | |
| Proceeds from disposal of property, plant and equipment | | |
| Productive living assets | | |
| Oil and gas assets | | |
| Intangible assets | 691,381,442.67 | 700,684,529.08 |
| R&D expense | | |
| Goodwill | 478,283,495.29 | 478,283,495.29 |
| Long-term prepaid expense | 69,238,523.78 | 93,588,397.35 |
| Deferred income tax assets | 92,157,477.74 | 107,654,597.15 |
| Other non-current assets | 317,910,214.56 | 300,982,000.00 |
| Total non-current assets | 4,018,152,256.40 | 4,031,088,425.20 |
| Total assets | 10,152,862,119.05 | 8,736,205,153.86 |
| Current liabilities: | | |
| Short-term borrowings | | |
| Borrowings from central bank | | |
| Customer deposits and deposits from banks and other financial institutions | | |
| Interbank loans obtained | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Notes payable | 200,750,000.00 | 11,298,583.00 |
| Accounts payable | 435,615,039.83 | 340,972,366.21 |
| Advances from customers | 503,083,108.13 | 623,990,614.91 |
| Financial assets sold under repurchase agreements | | |
| Handling charges and commissions payable | | |
| Payroll payable | 372,374,014.37 | 288,027,136.09 |

| | | |
|---|------------------|------------------|
| Taxes payable | 420,984,845.45 | 486,959,651.85 |
| Interest payable | | |
| Dividends payable | | |
| Other payables | 1,032,543,553.34 | 641,472,271.53 |
| Reinsurance payables | | |
| Insurance contract reserve | | |
| Payables for acting trading of securities | | |
| Payables for acting underwriting of securities | | |
| Liabilities directly associated with assets classified as held for sale | | |
| Current portion of non-current liabilities | | |
| Other current liabilities | 182,846,942.10 | 241,487,812.54 |
| Total current liabilities | 3,148,197,503.22 | 2,634,208,436.13 |
| Non-current liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Long-term payables | | |
| Long-term payroll payable | | |
| Specific payables | | |
| Provisions | | |
| Deferred income | 43,706,503.22 | 43,978,795.45 |
| Deferred income tax liabilities | 119,779,105.90 | 117,287,002.52 |
| Other non-current liabilities | | |
| Total non-current liabilities | 163,485,609.12 | 161,265,797.97 |
| Total liabilities | 3,311,683,112.34 | 2,795,474,234.10 |
| Owners' equity: | | |
| Share capital | 503,600,000.00 | 503,600,000.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 1,295,405,592.25 | 1,295,405,592.25 |

| | | |
|---|-------------------|------------------|
| Less: Treasury shares | | |
| Other comprehensive income | 53,520,827.44 | 36,144,477.95 |
| Specific reserve | | |
| Surplus reserves | 256,902,260.27 | 256,902,260.27 |
| General reserve | | |
| Retained earnings | 4,349,649,698.42 | 3,503,069,053.49 |
| Total equity attributable to owners of Parent Company | 6,459,078,378.38 | 5,595,121,383.96 |
| Non-controlling interests | 382,100,628.33 | 345,609,535.80 |
| Total owners' equity | 6,841,179,006.71 | 5,940,730,919.76 |
| Total liabilities and owners' equity | 10,152,862,119.05 | 8,736,205,153.86 |

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

2. Parent Company Balance Sheet

Unit: RMB

| Item | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Current assets: | | |
| Monetary assets | 1,276,262,109.02 | 225,792,686.26 |
| Financial assets at fair value through profit or loss | 99,800.76 | 429,190.68 |
| Derivative financial assets | | |
| Notes receivable | 674,521,654.40 | 449,016,169.03 |
| Accounts receivable | 8,509,918.03 | 6,377,346.00 |
| Prepayments | 8,534,600.82 | 11,815,064.19 |
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 130,357,778.75 | 105,514,906.34 |
| Inventories | 1,818,358,884.18 | 1,549,397,565.11 |
| Assets classified as held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 1,554,870,774.98 | 1,750,000,000.00 |
| Total current assets | 5,471,515,520.94 | 4,098,342,927.61 |
| Non-current assets: | | |

| | | |
|--|------------------|------------------|
| Available-for-sale financial assets | 516,530,547.91 | 403,547,952.27 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 1,155,089,408.32 | 1,155,089,408.32 |
| Investment property | 26,409,050.95 | 30,846,736.84 |
| Property, plant and equipment | 1,303,119,011.66 | 1,375,089,823.91 |
| Construction in progress | 44,673,219.38 | 68,022,146.66 |
| Construction materials | | |
| Proceeds from disposal of property, plant and equipment | | |
| Productive living assets | | |
| Oil and gas assets | | |
| Intangible assets | 185,868,178.71 | 186,370,081.28 |
| R&D expense | | |
| Goodwill | | |
| Long-term prepaid expense | 58,563,409.89 | 92,695,064.02 |
| Deferred income tax assets | 37,996,747.93 | 36,366,330.90 |
| Other non-current assets | 12,474,026.00 | 982,000.00 |
| Total non-current assets | 3,340,723,600.75 | 3,349,009,544.20 |
| Total assets | 8,812,239,121.69 | 7,447,352,471.81 |
| Current liabilities: | | |
| Short-term borrowings | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Notes payable | 0.00 | 28,583.00 |
| Accounts payable | 347,757,180.53 | 307,649,868.02 |
| Advances from customers | 1,680,678,175.37 | 1,003,521,896.65 |
| Payroll payable | 110,435,403.45 | 90,742,908.53 |
| Taxes payable | 262,884,211.13 | 320,037,309.94 |
| Interest payable | | |
| Dividends payable | | |
| Other payables | 173,250,790.29 | 282,570,379.80 |
| Liabilities directly associated with assets classified as held for sale | | |

| | | |
|--|------------------|------------------|
| Current portion of non-current liabilities | | |
| Other current liabilities | 18,296,415.85 | 37,589,367.67 |
| Total current liabilities | 2,593,302,176.62 | 2,042,140,313.61 |
| Non-current liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Long-term payables | | |
| Long-term payroll payable | | |
| Specific payables | | |
| Provisions | | |
| Deferred income | 39,976,048.28 | 42,745,851.74 |
| Deferred income tax liabilities | 19,792,209.68 | 15,385,289.84 |
| Other non-current liabilities | | |
| Total non-current liabilities | 59,768,257.96 | 58,131,141.58 |
| Total liabilities | 2,653,070,434.58 | 2,100,271,455.19 |
| Owners' equity: | | |
| Share capital | 503,600,000.00 | 503,600,000.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 1,247,162,107.35 | 1,247,162,107.35 |
| Less: Treasury shares | | |
| Other comprehensive income | 53,454,736.38 | 37,315,555.64 |
| Specific reserve | | |
| Surplus reserves | 251,800,000.00 | 251,800,000.00 |
| Retained earnings | 4,103,151,843.38 | 3,307,203,353.63 |
| Total owners' equity | 6,159,168,687.11 | 5,347,081,016.62 |
| Total liabilities and owners' equity | 8,812,239,121.69 | 7,447,352,471.81 |

3. Consolidated Income Statement

Unit: RMB

| Item | 2017 | 2016 |
|---|------------------|------------------|
| 1. Operating revenue | 6,968,325,048.55 | 6,017,143,660.56 |
| Including: Sales revenue | 6,968,325,048.55 | 6,017,143,660.56 |
| Interest revenue | | |
| Premium revenue | | |
| Handling charge and commission revenue | | |
| 2. Cost of operating revenue | 5,560,167,242.54 | 4,997,581,551.14 |
| Including: Cost of sales | 1,642,588,056.43 | 1,523,585,779.51 |
| Interest expense | | |
| Handling charge and commission expense | | |
| Surrenders | | |
| Net claims paid | | |
| Net amount provided as insurance contract reserve | | |
| Expenditure on policy dividends | | |
| Reinsurance premium expense | | |
| Taxes and surtaxes | 1,136,317,983.99 | 955,988,399.10 |
| Selling expense | 2,170,081,383.54 | 1,980,127,377.89 |
| Administrative expense | 603,552,959.10 | 556,513,607.99 |
| Finance costs | -25,927,285.82 | -30,253,967.33 |
| Asset impairment losses | 33,554,145.30 | 11,620,353.98 |
| Add: Gains on changes in fair value (“-” for losses) | -113,260.71 | -5,598.43 |
| Investment income (“-” for loss) | 153,433,358.26 | 97,837,461.25 |
| Including: Share of profit or loss of joint ventures and associates | | |
| Foreign exchange gains (“-” for losses) | | |
| Asset disposal income (“-” for loss) | 254,763.27 | 345,705.61 |
| Other income | 32,720,116.60 | |
| 3. Operating income (“-” for loss) | 1,594,452,783.43 | 1,117,739,677.85 |
| Add: Non-operating income | 30,141,298.15 | 41,569,240.85 |
| Less: Non-operating expense | 12,376,817.78 | 8,554,634.67 |
| 4. Pretax income (“-” for loss) | 1,612,217,263.80 | 1,150,754,284.03 |
| Less: Income tax expense | 426,985,526.34 | 300,436,186.51 |

| | | |
|--|------------------|----------------|
| 5. Net income (“-” for net loss) | 1,185,231,737.46 | 850,318,097.52 |
| 5.1 Net income from continuing operations (“-” for net loss) | 1,185,231,737.46 | 850,318,097.52 |
| 5.2 Net income from discontinued operations (“-” for net loss) | | |
| Attributable to owners of Parent Company | 1,148,740,644.93 | 829,630,063.38 |
| Attributable to non-controlling interests | 36,491,092.53 | 20,688,034.14 |
| 6. Other comprehensive income, net of tax | 17,376,349.49 | -18,337,408.56 |
| Attributable to owners of Parent Company | 17,376,349.49 | -18,337,408.56 |
| 6.1 Items that will not be reclassified to profit or loss | | |
| 6.1.1 Changes in net liabilities or assets caused by re-measurements on defined benefit pension schemes | | |
| 6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method | | |
| 6.2 Items that may subsequently be reclassified to profit or loss | 17,376,349.49 | -18,337,408.56 |
| 6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method | | |
| 6.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets | 17,376,349.49 | -18,337,408.56 |
| 6.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 6.2.4 Effective gains/losses on cash flow hedges | | |
| 6.2.5 Differences arising from translation of foreign currency-denominated financial statements | | |
| 6.2.6 Other | | |

| | | |
|---|------------------|----------------|
| Attributable to non-controlling interests | | |
| 7. Total comprehensive income | 1,202,608,086.95 | 831,980,688.96 |
| Attributable to owners of Parent Company | 1,166,116,994.42 | 811,292,654.82 |
| Attributable to non-controlling interests | 36,491,092.53 | 20,688,034.14 |
| 8. Earnings per share | | |
| 8.1 Basic earnings per share | 2.28 | 1.65 |
| 8.2 Diluted earnings per share | 2.28 | 1.65 |

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

4. Parent Company Income Statement

Unit: RMB

| Item | 2017 | 2016 |
|---|------------------|------------------|
| 1. Sales revenue | 3,789,547,842.84 | 3,308,399,250.03 |
| Less: Cost of sales | 1,481,030,950.69 | 1,436,794,457.51 |
| Taxes and surtaxes | 974,280,790.69 | 857,620,971.74 |
| Selling expense | 172,260,238.41 | 271,599,513.92 |
| Administrative expense | 423,030,438.54 | 390,774,681.63 |
| Finance costs | -15,108,236.44 | -12,139,559.51 |
| Asset impairment losses | 31,237,595.99 | 13,749,391.73 |
| Add: Gains on changes in fair value ("-" for losses) | -113,260.71 | -5,598.43 |
| Investment income ("-" for loss) | 578,847,735.30 | 507,037,614.00 |
| Including: Share of profit or loss of joint ventures and associates | | |
| Asset disposal income ("-" for loss) | 23,533.98 | 0.00 |
| Other income | 20,408,700.71 | 0.00 |
| 2. Operating income ("-" for loss) | 1,321,982,774.24 | 857,031,808.58 |
| Add: Non-operating income | 17,009,324.56 | 35,019,767.09 |
| Less: Non-operating expense | 9,222,061.73 | 6,151,343.05 |
| 3. Pretax income ("-" for loss) | 1,329,770,037.07 | 885,900,232.62 |

| | | |
|--|------------------|----------------|
| Less: Income tax expense | 231,661,547.32 | 115,388,301.28 |
| 4. Net income (“-” for net loss) | 1,098,108,489.75 | 770,511,931.34 |
| 4.1 Net income from continuing operations (“-” for net loss) | 1,098,108,489.75 | 770,511,931.34 |
| 4.2 Net income from discontinued operations (“-” for net loss) | | |
| 5. Other comprehensive income, net of tax | 16,139,180.74 | -17,166,330.87 |
| 5.1 Items that will not be reclassified to profit or loss | | |
| 5.1.1 Changes in net liabilities or assets caused by re-measurements on defined benefit pension schemes | | |
| 5.1.2 Share of other comprehensive income of investees that will not be reclassified into profit or loss under equity method | | |
| 5.2 Items that may subsequently be reclassified to profit or loss | 16,139,180.74 | -17,166,330.87 |
| 5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method | | |
| 5.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets | 16,139,180.74 | -17,166,330.87 |
| 5.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 5.2.4 Effective gains/losses on cash flow hedges | | |
| 5.2.5 Differences arising from translation of foreign currency-denominated financial statements | | |
| 5.2.6 Other | | |
| 6. Total comprehensive income | 1,114,247,670.49 | 753,345,600.47 |
| 7. Earnings per share | | |
| 7.1 Basic earnings per share | 2.18 | 1.53 |
| 7.2 Diluted earnings per share | 2.18 | 1.53 |

5. Consolidated Cash Flow Statement

Unit: RMB

| Item | 2017 | 2016 |
|---|------------------|------------------|
| 1. Cash generated by or used in operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 7,041,950,513.29 | 7,031,888,740.85 |
| Net increase in customer deposits and deposits from banks and other financial institutions | | |
| Net increase in loans from central bank | | |
| Net increase in loans from other financial institutions | | |
| Premiums received on original insurance contracts | | |
| Net proceeds from reinsurance | | |
| Net increase in deposits and investments of policy holders | | |
| Net increase in proceeds from disposal of financial assets at fair value through profit or loss | | |
| Interest, handling charges and commissions received | | |
| Net increase in interbank loans obtained | | |
| Net increase in proceeds from repurchase transactions | | |
| Tax rebates received | 20,901,711.56 | 16,218,721.25 |
| Cash generated by other operating activities | 410,064,046.58 | 345,789,490.57 |
| Subtotal of cash generated by operating activities | 7,472,916,271.43 | 7,393,896,952.67 |
| Payments for goods and services | 685,079,409.14 | 1,761,253,852.47 |
| Net increase in loans and advances to customers | | |
| Net increase in deposits in central bank and in interbank loans granted | | |
| Payments for claims on original insurance contracts | | |
| Interest, handling charges and | | |

| | | |
|--|------------------|-------------------|
| commissions paid | | |
| Policy dividends paid | | |
| Cash paid to and for employees | 1,379,482,541.55 | 1,130,548,519.54 |
| Taxes paid | 2,588,903,933.28 | 2,041,224,545.61 |
| Cash used in other operating activities | 1,888,535,674.68 | 1,277,638,226.99 |
| Subtotal of cash used in operating activities | 6,542,001,558.65 | 6,210,665,144.61 |
| Net cash flows from operating activities | 930,914,712.78 | 1,183,231,808.06 |
| 2. Cash generated by or used in investing activities: | | |
| Proceeds from disinvestments | 5,542,089,013.38 | 3,325,502,933.15 |
| Investment income received | 87,735,460.11 | 78,724,727.77 |
| Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets | 2,275,291.91 | 4,761,778.98 |
| Net proceeds from disposal of subsidiaries or other business units | | |
| Cash generated by other investing activities | 5,715,000.00 | 2,481,400.00 |
| Subtotal of cash generated by investing activities | 5,637,814,765.40 | 3,411,470,839.90 |
| Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets | 200,093,340.76 | 172,716,601.62 |
| Payments for investments | 5,570,236,537.09 | 3,973,944,183.44 |
| Net increase in pledged loans granted | | |
| Net payments for acquisition of subsidiaries and other business units | | 805,830,032.45 |
| Cash used in other investing activities | | |
| Subtotal of cash used in investing activities | 5,770,329,877.85 | 4,952,490,817.51 |
| Net cash flows from investing activities | -132,515,112.45 | -1,541,019,977.61 |
| 3. Cash generated by or used in financing activities: | | |
| Capital contributions received | | |
| Including: Capital contributions by non-controlling interests to subsidiaries | | |

| | | |
|---|------------------|------------------|
| Increase in borrowings | 0.00 | 1,000,000.00 |
| Net proceeds from issuance of bonds | | |
| Cash generated by other financing activities | | |
| Subtotal of cash generated by financing activities | 0.00 | 1,000,000.00 |
| Repayment of borrowings | 0.00 | 1,000,000.00 |
| Payments for interest and dividends | 302,160,000.00 | 50,360,000.00 |
| Including: Dividends paid by subsidiaries to non-controlling interests | | |
| Cash used in other financing activities | 0.00 | 104,376,537.45 |
| Subtotal of cash used in financing activities | 302,160,000.00 | 155,736,537.45 |
| Net cash flows from financing activities | -302,160,000.00 | -154,736,537.45 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | |
| 5. Net increase in cash and cash equivalents | 496,239,600.33 | -512,524,707.00 |
| Add: Cash and cash equivalents, beginning of the period | 527,849,026.07 | 1,040,373,733.07 |
| 6. Cash and cash equivalents, end of the period | 1,024,088,626.40 | 527,849,026.07 |

6. Parent Company Cash Flow Statement

Unit: RMB

| Item | 2017 | 2016 |
|---|------------------|------------------|
| 1. Cash generated by or used in operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 4,173,273,698.71 | 4,048,263,462.34 |
| Tax rebates received | 13,013,817.25 | 15,009,167.60 |
| Cash generated by other operating activities | 34,644,114.33 | 44,493,823.06 |
| Subtotal of cash generated by operating activities | 4,220,931,630.29 | 4,107,766,453.00 |
| Payments for goods and services | 899,290,002.74 | 1,629,164,465.68 |
| Cash paid to and for employees | 509,129,615.74 | 491,016,401.44 |
| Taxes paid | 1,745,217,861.34 | 1,345,928,486.58 |

| | | |
|--|------------------|------------------|
| Cash used in other operating activities | 711,716,384.50 | 89,125,570.51 |
| Subtotal of cash used in operating activities | 3,865,353,864.32 | 3,555,234,924.21 |
| Net cash flows from operating activities | 355,577,765.97 | 552,531,528.79 |
| 2. Cash generated by or used in investing activities: | | |
| Proceeds from disinvestments | 5,331,270,532.13 | 3,271,955,614.05 |
| Investment income received | 523,008,318.40 | 492,653,360.82 |
| Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets | 501,088.26 | 3,995,766.04 |
| Net proceeds from disposal of subsidiaries or other business units | | |
| Cash generated by other investing activities | 1,826,000.00 | 1,167,400.00 |
| Subtotal of cash generated by investing activities | 5,856,605,938.79 | 3,769,772,140.91 |
| Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets | 141,317,744.91 | 157,553,414.54 |
| Payments for investments | 5,168,236,537.09 | 3,621,248,401.74 |
| Net payments for acquisition of subsidiaries and other business units | 0.00 | 816,000,000.00 |
| Cash used in other investing activities | | |
| Subtotal of cash used in investing activities | 5,309,554,282.00 | 4,594,801,816.28 |
| Net cash flows from investing activities | 547,051,656.79 | -825,029,675.37 |
| 3. Cash generated by or used in financing activities: | | |
| Capital contributions received | | |
| Increase in borrowings | | |
| Net proceeds from issuance of bonds | | |
| Cash generated by other financing activities | | |
| Subtotal of cash generated by financing activities | | |
| Repayment of borrowings | | |
| Payments for interest and dividends | 302,160,000.00 | 50,360,000.00 |

| | | |
|---|-----------------|-----------------|
| Cash used in other financing activities | | |
| Sub-total of cash used in financing activities | 302,160,000.00 | 50,360,000.00 |
| Net cash flows from financing activities | -302,160,000.00 | -50,360,000.00 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | |
| 5. Net increase in cash and cash equivalents | 600,469,422.76 | -322,858,146.58 |
| Add: Cash and cash equivalents, beginning of the period | 225,792,686.26 | 548,650,832.84 |
| 6. Cash and cash equivalents, end of the period | 826,262,109.02 | 225,792,686.26 |

7. Consolidated Statements of Changes in Owners' Equity

2017

Unit: RMB

| Item | 2017 | | | | | | | | | | | | |
|---|---|--------------------------|-----------------|-------|------------------|-----------------------|----------------------------|------------------|------------------|-----------------|-------------------|---------------------------|----------------------|
| | Equity attributable to owners of Parent Company | | | | | | | | | | | Non-controlling interests | Total owners' equity |
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserves | General reserve | Retained earnings | | |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | | |
| 1. Balances as of end of prior year | 503,600,000.00 | | | | 1,295,405,592.25 | | 36,144,477.95 | | 256,902,260.27 | | 3,503,069,053.49 | 345,609,535.80 | 5,940,730,919.76 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | | | |
| Adjustments for business mergers under same control | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | |
| 2. Balances as of beginning of the year | 503,600,000.00 | | | | 1,295,405,592.25 | | 36,144,477.95 | | 256,902,260.27 | | 3,503,069,053.49 | 345,609,535.80 | 5,940,730,919.76 |
| 3. Increase/decrease in the | | | | | | | 17,376,349.49 | | | | 846,580,644.93 | 36,491,092.53 | 900,448,086.95 |

| period (“-” for decrease) | | | | | | | | | | | | | |
|--|--|--|--|--|--|---------------|--|--|--|--|------------------|---------------|------------------|
| 3.1 Total comprehensive income | | | | | | 17,376,349.49 | | | | | 1,148,740,644.93 | 36,491,092.53 | 1,202,608,086.95 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | | | |
| 3.2.1 Common shares increased by shareholders | | | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners' equity | | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | | | -302,160,000.00 | | -302,160,000.00 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | | | | | |
| 3.3.2 Appropriation to general reserve | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|-----------------|--|-----------------|
| 3.3.3 | | | | | | | | | | | | | |
| Appropriation to owners (or shareholders) | | | | | | | | | | | -302,160,000.00 | | -302,160,000.00 |
| 3.3.4 Other | | | | | | | | | | | | | |
| 3.4 | | | | | | | | | | | | | |
| Carry-forwards within owners' equity | | | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | | |
| 3.4.3 Surplus reserves used to make up losses | | | | | | | | | | | | | |
| 3.4.4 Other | | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | | | | | | |
| 3.5.1 | | | | | | | | | | | | | |
| Withdrawn for the period | | | | | | | | | | | | | |
| 3.5.2 Used during the period | | | | | | | | | | | | | |
| 3.6 Other | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|-------------------------------------|----------------|--|--|--|------------------|--|---------------|--|----------------|--|------------------|----------------|------------------|
| 4. Balances as of end of the period | 503,600,000.00 | | | | 1,295,405,592.25 | | 53,520,827.44 | | 256,902,260.27 | | 4,349,649,698.42 | 382,100,628.33 | 6,841,179,006.71 |
|-------------------------------------|----------------|--|--|--|------------------|--|---------------|--|----------------|--|------------------|----------------|------------------|

2016

Unit: RMB

| Item | 2016 | | | | | | | | | | | | |
|---|---|--------------------------|-----------------|-------|------------------|-----------------------|----------------------------|------------------|------------------|-----------------|-------------------|---------------------------|----------------------|
| | Equity attributable to owners of Parent Company | | | | | | | | | | | Non-controlling interests | Total owners' equity |
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserves | General reserve | Retained earnings | | |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | | |
| 1. Balances as of end of prior year | 503,600,000.00 | | | | 1,294,938,493.19 | | 54,481,886.51 | | 256,902,260.27 | | 2,723,798,990.11 | | 4,833,721,630.08 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | | | |
| Adjustments for business mergers under same control | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | |
| 2. Balances as of beginning of the year | 503,600,000.00 | | | | 1,294,938,493.19 | | 54,481,886.51 | | 256,902,260.27 | | 2,723,798,990.11 | | 4,833,721,630.08 |
| 3. Increase/ | | | | | 467,099.06 | | -18,337,408.56 | | | | 779,270,063.38 | 345,609,535.80 | 1,107,009,289.68 |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|----------------|--|--|--|----------------|---------------|----------------|
| decrease in the period (“-” for decrease) | | | | | | | | | | | | | |
| 3.1 Total comprehensive income | | | | | | | -18,337,408.56 | | | | 829,630,063.38 | 20,688,034.14 | 831,980,688.96 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | | | |
| 3.2.1 Common shares increased by shareholders | | | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners’ equity | | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | | | -50,360,000.00 | | -50,360,000.00 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | | | | | |
| 3.3.2 | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|----------------|--|----------------|
| Appropriation to general reserve | | | | | | | | | | | | | |
| 3.3.3 Appropriation to owners (or shareholders) | | | | | | | | | | | -50,360,000.00 | | -50,360,000.00 |
| 3.3.4 Other | | | | | | | | | | | | | |
| 3.4 Carry-forwards within owners' equity | | | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | | |
| 3.4.3 Surplus reserves used to make up losses | | | | | | | | | | | | | |
| 3.4.4 Other | | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | | | | | | |
| 3.5.1 Withdrawn for the period | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|-------------------------------------|----------------|--|--|--|------------------|--|---------------|--|----------------|--|------------------|----------------|------------------|
| 3.5.2 Used during the period | | | | | | | | | | | | | |
| 3.6 Other | | | | | 467,099.06 | | | | | | | 324,921,501.66 | 325,388,600.72 |
| 4. Balances as of end of the period | 503,600,000.00 | | | | 1,295,405,592.25 | | 36,144,477.95 | | 256,902,260.27 | | 3,503,069,053.49 | 345,609,535.80 | 5,940,730,919.76 |

8. Parent Company Statements of Changes in Owners' Equity

2017

Unit: RMB

| Item | 2017 | | | | | | | | | | |
|--|----------------|--------------------------|-----------------|-------|------------------|-----------------------|----------------------------|------------------|------------------|-------------------|----------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | |
| 1. Balances as of end of prior year | 503,600,000.00 | | | | 1,247,162,107.35 | | 37,315,555.64 | | 251,800,000.00 | 3,307,203,353.63 | 5,347,081,016.62 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | |
| 2. Balances as of beginning of the year | 503,600,000.00 | | | | 1,247,162,107.35 | | 37,315,555.64 | | 251,800,000.00 | 3,307,203,353.63 | 5,347,081,016.62 |
| 3. Increase/ decrease in the period (“-” for | | | | | | | 16,139,180.74 | | | 795,948,489.75 | 812,087,670.49 |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|---------------|--|--|------------------|------------------|
| decrease) | | | | | | | | | | | |
| 3.1 Total comprehensive income | | | | | | | 16,139,180.74 | | | 1,098,108,489.75 | 1,114,247,670.49 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | |
| 3.2.1 Common shares increased by shareholders | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners' equity | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | | -302,160,000.00 | -302,160,000.00 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | | | |
| 3.3.2 Appropriation to owners (or shareholders) | | | | | | | | | | -302,160,000.00 | -302,160,000.00 |
| 3.3.3 Other | | | | | | | | | | | |
| 3.4 Carry-forwards within owners' equity | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|----------------|--|--|--|------------------|--|---------------|--|----------------|------------------|------------------|
| from surplus reserves | | | | | | | | | | | |
| 3.4.3 Surplus reserves used to make up losses | | | | | | | | | | | |
| 3.4.4 Other | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | | | | |
| 3.5.1 Withdrawn for the period | | | | | | | | | | | |
| 3.5.2 Used during the period | | | | | | | | | | | |
| 3.6 Other | | | | | | | | | | | |
| 4. Balances as of end of the period | 503,600,000.00 | | | | 1,247,162,107.35 | | 53,454,736.38 | | 251,800,000.00 | 4,103,151,843.38 | 6,159,168,687.11 |

2016

Unit: RMB

| Item | 2016 | | | | | | | | | | |
|--|----------------|--------------------------|-----------------|-------|------------------|-----------------------|----------------------------|------------------|------------------|-------------------|----------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | |
| 1. Balances as of end of prior year | 503,600,000.00 | | | | 1,247,162,107.35 | | 54,481,886.51 | | 251,800,000.00 | 2,587,051,422.29 | 4,644,095,416.15 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|--|----------------|--|----------------|------------------|------------------|
| Other adjustments | | | | | | | | | | | |
| 2. Balances as of beginning of the year | 503,600,000.00 | | | | 1,247,162,107.35 | | 54,481,886.51 | | 251,800,000.00 | 2,587,051,422.29 | 4,644,095,416.15 |
| 3. Increase/ decrease in the period (“-” for decrease) | | | | | | | -17,166,330.87 | | | 720,151,931.34 | 702,985,600.47 |
| 3.1 Total comprehensive income | | | | | | | -17,166,330.87 | | | 770,511,931.34 | 753,345,600.47 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | |
| 3.2.1 Common shares increased by shareholders | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners’ equity | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | | -50,360,000.00 | -50,360,000.00 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | | | |
| 3.3.2 Appropriation to owners (or shareholders) | | | | | | | | | | -50,360,000.00 | -50,360,000.00 |
| 3.3.3 Other | | | | | | | | | | | |
| 3.4 Carry-forwards within owners’ equity | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|--|---------------|--|----------------|------------------|------------------|
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | |
| 3.4.3 Surplus reserves used to make up losses | | | | | | | | | | | |
| 3.4.4 Other | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | | | | |
| 3.5.1 Withdrawn for the period | | | | | | | | | | | |
| 3.5.2 Used during the period | | | | | | | | | | | |
| 3.6 Other | | | | | | | | | | | |
| 4. Balances as of end of the period | 503,600,000.00 | | | | 1,247,162,107.35 | | 37,315,555.64 | | 251,800,000.00 | 3,307,203,353.63 | 5,347,081,016.62 |

Anhui Gujing Distillery Co., Ltd.
Notes to the Financial Statements
for the Year Ended 31 December 2017

(All amounts are expressed, unless otherwise stated, in CNY.)

Note 1 Company Profile

Anhui Gujing Distillery Co., Ltd. (hereafter “the Company” or “Company”) was the company limited by shares approved by Administration Bureau of State-owned Property of Anhui province following the approval WanGuoZiGongZi (1996) NO. 053 (皖国资工字(1996)第053号文), Anhui Gujing Group Co., Ltd. as the sole sponsors, established net assets in the assessment of main production operating assets of its core company Anhui Bozhou Gujing distillery 377.1677 million transferred into the 155,000,000 state-owned shares, and the registered location was the Bozhou City of People's Republic of China. The company was registered in The People's Republic of China on 5 March 1996 and was approved by People's Government of Anhui province following the approval WanZhengMin (1996) NO.42 (皖政秘(1996)42 号文). The company convoked the founding meeting on 28 May 1996 and registered on 30 May 1996 by Administration for Industry and Commerce of Anhui province.

The Company issued 60,000,000 domestic listed foreign shares (hereafter “B” shares) in June 1996 and 20,000,000 domestic listed CNY ordinary shares (hereafter “A” shares) in September 1996, the par value of ordinary shares is CNY1.00 per share. Both A share and B share are listed on Shenzhen Stock exchange.

The headquarters of the company is located in Gujing town, Bozhou city, Anhui province. The company and the subsidiaries (collectively called “Group”) is mainly engaged in liquor production and sales; it belongs to the food manufacturing industry.

The original registered capital was CNY 235 million, the total amount of shares was 235 million, including state-owned shares 155 million and domestic listed foreign shares 60 million, the par value is CNY 1 per share.

On 29 May 2006, the shareholder meeting for the Company's shareholdings reform of A-share market has discussed and approved the proposal of the shareholdings reform, and the reform was implemented in June 2006. After the Company's shareholdings reform implemented, all shares of the Company became floating shares, which included 147,000,000 shares with restricted condition on disposal, representing 62.55% of total

share capital, and 88,000,000 shares without restricted condition on disposal, representing 37.45% of total share capital.

On 27 June 2007, the Company issued the <Announcement of release restriction shares by Anhui Gujing Distillery Co., Ltd.>, the 11,750,000 restricted outstanding shares with the restricted condition on disposal became non-restricted in the stock market, and the conversion date is on 29 June 2007. Hence, outstanding shares with the restrict condition on disposal are 135,250,000 shares, representing 57.55% of total share capital, the share without restricting condition on disposal are 99,750,000 shares, representing 42.45% of total share capital.

On 17 July 2008, the Company issued the <Announcement of release restriction shares by Anhui Gujing Distillery Co., Ltd.>, the 11,750,000 restricted outstanding shares with the restricted condition on disposal became non-restricted in the stock market, and the conversion date is on 18 July 2008. Hence, outstanding shares with the restricted condition on disposal were 123,500,000 shares, representing 52.55% of total share capital, the share without restricting condition on disposal are 111,500,000 shares, representing 47.45% of total share capital.

On 24 July 2009, the Company issued the <Announcement of release restriction shares by Anhui Gujing Distillery Co., Ltd.>, the 123,500,000 restricted outstanding shares with the restricted condition on disposal became non-restricted in the stock market, and the conversion date was on 29 July 2009. Hence, all shares of the Company became outstanding shares without restricted condition on disposal.

According to the approval by China Securities Regulatory Commission (the authorization file No. zhengjianxuke[2011]943), on 15 July 2011, the Company privately issued 16,800,000 shares of ordinary share (A shares) to specific investors, the par value was CNY 1 per share, and the offering price was CNY 75 per share, the funds raised amounted to CNY 1,260 million. After deducting the sundry issuing charges amounting to CNY 32,500,549.73, the actual funds raised amounted to CNY 1,227,499,450.27. The position of the above raised funds has been verified by Reanda Certified Public Accountants Co., Ltd. with a Capital Verification Report (REANDA YAN ZI[2011]No.1065). After the non-public issuance, the share capital of the Company increased to CNY 251.80 million.

According to the resolution of 2011 annual general meeting of stockholders, the company converted 10 shares for each 10 shares from capital reserves based on the 251.80 million shares on 31 December 2011, the total number of converted shares was 251.80 million, and the transfer was implemented in 2012. After the conversion, the registered capital increased to CNY 503.60 million.

As of 31 December 2017, the accumulated number of issued capital was 503.60 million shares. See Note 6.28 for details.

The company registered in Gujing town, Bozhou city, Anhui province.

The approved business scope of the Company: grain procurement (operation by license), production of distilled spirits, brewing equipment, packaging materials, glass bottles, alcohol, grease (limited to the by-products from alcohol production), high-tech development, biotechnology development, deep processing of agricultural and sideline products, sales of self-produced products.

The parent company of the Company and ultimate parent company is Anhui Gujing Group Co., Ltd. incorporated in China.

The financial statement is approved by the resolution of the board of directors on 26 April 2018. According to the articles of association, the financial statements will be submitted to the shareholders meeting for consideration.

The consolidation scope includes 24 subsidiaries in total in 2017, and please see Note 8 “Interest in other entities” for details. The consolidation scope was increased by 3 subsidiaries than prior year and please see Note 7 “Changes of the scope of consolidated financial statements” for details.

Note 2 Basis for preparation of the financial statements

The Financial Statements of the Company are prepared on the basis of going concern and with reference to the actual occurrence of transactions and events; in accordance with the Enterprise Accounting Standard - Basic Standard (issued by the Ministry of Finance Order No.33, revised by the Ministry of Finance Order No.76), the 42 specific accounting standards, the Enterprise Accounting Standards Application Guidance, the Enterprise Accounting Standards Interpretation and other relevant provisions issued and revised on 15 February 2006 and subsequently by the Ministry of Finance (hereafter, collectively the CAS); and in accordance with the Preparation Directive for Company Information Disclosure of Publicly Listed Companies 15 - General Financial Report Directive revised in 2014 by China Securities Regulatory Commission.

In accordance with relevant provisions the CAS, the Group adopts the accrual basis for daily book-keeping. Elements of the Financial Statements, except for certain financial instruments and investment properties, are measured using the historical convention. Held-for-sale non-current assets are measured at the lower of fair value less predictable costs and the original book value at the recognition date. Allowance is recognized for any

asset that is impaired in accordance with relevant regulatory provisions.

Note 3 Declaration of compliance with the CAS

The Company's Financial Statements has been prepared in accordance with the CAS and present truly and completely the financial position of the Company as at 31 December 2017 and its operation results, cash flows and relevant information for the year then ended. And, the Financial Statements of the Company has been prepared, in all material respects, in accordance with the disclosure provisions relevant to financial statements and the accompanying notes provided by the Preparation Directive for Company Information Disclosure of Publicly Listed Companies 15 - General Financial Report Directive revised in 2014 by China Securities Regulatory Commission.

Note 4 Significant accounting policies and accounting estimates

The company and subsidiaries are mainly engaged in liquor production and sales. The company formulates the specific accounting policies and accounting estimates for revenue recognition and other transactions and events in accordance with the actual business operation characteristics of the company and subsidiaries, and provisions of the relevant accounting standard for business enterprises, please see Note 4.23 "Revenue" for details. The description of significant account judgment and estimates made by management, please see Note 4.28 "Significant accounting judgment and estimates."

4.1 Accounting period

The accounting period of the Company is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Company is the calendar year from 1 January to 31 December.

4.2 Operating cycle

Normal business cycle is realized by the Company in cash or cash equivalents from the purchase of assets for processing until. The company has a 12 -month operating cycle, and its assets and liabilities as liquidity criteria for the classification.

4.3 Monetary Unit

Yuan (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose CNY as their functional currency. The Company adopts CNY to prepare its functional statements.

4.4 Accounting for business combinations under common control and under different control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

4.4.1 Business combination involving entities under common control

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

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

4.4.2 Business combination involving entities not under common control

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

For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not involving enterprise under common control, the combined cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The transaction cost arose from issuing of equity securities, or liability securities shall be initially recognized as equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If within the 12 months after the acquisition, additional information can prove the existence of related information at the acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted.

Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

Where the temporary difference obtained by the acquirer was not recognized due to conformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from temporary deductible difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as the profit of the current period.

Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination.

For a business combination not involving enterprise under common control, which achieved

in stages that involves multiple exchange transactions, according to “The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5” (CaiKuai [2012] No. 19) and Article 51 of “Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements” on the “package deal” criterion (see Note 4.5.2), to judge the multiple exchange transactions whether they are the "package deal". If it belongs to the “package deal” in reference to the preceding paragraphs of this section and the Notes described in 4.13 “long-term investment” accounting treatment, if it does not belong to the “package deal” to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income).

In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

4.5 Preparation of the consolidated financial statements

4.5.1 The scope of consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation

includes the Company and all of the subsidiaries. The subsidiary is an enterprise or entity under the control of the Company.

Once the change in the relevant facts and circumstances leading to the definition of the relevant elements involved in the control of the change, the company will be re-evaluated.

4.5.2 Preparation of the consolidated financial statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed of during the period, no adjustment is made to the opening balance of the consolidated financial statements.

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

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements were reconciled on the basis of the fair value of identifiable net assets at the date of acquisition. Intra-Group balances and transactions and any unrealized profit or loss arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Minority interest and the portion of the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders'/ owners' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders'/equity of the subsidiary, the excess is allocated against the minority interests. When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (i.e., in addition to the former subsidiary, which is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest subsidiaries are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 4.13 Long-term equity investments and Note 4.9 Financial instruments for details.

Where loss of control over a subsidiary result from multiple transactions (agreements), the assessment shall be made as to whether the multiple agreements shall be viewed as a whole as a single transaction. Multiple agreements giving rise to loss of control over a subsidiary is generally viewed as a whole as a single transaction if the terms, conditions and economic implications of the multiple agreements satisfy one or more of the following conditions: 1) the agreements are entered into simultaneously or taking into account the implication of each other; 2) the business objective cannot be achieved without successful completion of all the agreements; 3) the occurrence of one agreement is dependent on the result of at least another one agreement; and/or 4) any one single agreement is not

recognized as economic, and the agreements as a whole is economic. Where multiple agreements do not satisfy the conditions of being viewed as a single transaction, each agreement shall be treated and accounted for in accordance with the provisions of disposal of long-term equity investments not resulting loss of control (see Note 4.13.2.4) or loss of control due to disposal of shares or other events (see the previous paragraph). Where multiple agreements satisfy the conditions of being viewed as a single transaction, each agreement shall be treated and accounted for as a transaction which results in loss of control; differences between the consideration for disposals prior to loss of control and the net assets proportionate to the shares disposed prior to loss of control are recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss at the time of loss of control.

4.6 Joint arrangement and accounting for joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture, depending on the rights and obligation of the Company in the joint arrangement. A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for joint ventures using the equity method, see Note 4.13.2.2 for details.

The company, a joint operator, recognizes in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

When the Company enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, the Company, prior to disposal of the assets to a third party by the joint operation, recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When there is evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets which is in line with provision stipulated by CAS 8, those losses are recognized fully by the Company. When there is evidence of a reduction in the net realizable value of the assets to be purchased or of an impairment loss of those assets, the Company shall recognize its share

of those losses.

4.7 Cash equivalent

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

4.8 Foreign exchange

4.8.1 Translation in foreign exchange transactions

Transactions denominated in foreign currencies are translated into the functional currency using the transaction-date spot exchange rates. Where a transaction is conducted purely for the purpose of exchange one currency into another currency, the exchange rate used to translate the foreign currency into the functional currency is the exchange rate that is actually used for the currency exchange.

4.8.2 Translation of foreign monetary currency and non-monetary foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

4.9 Financial instruments

The company recognizes the financial assets or liabilities when involved in financial instruments' agreements. The financial assets or liabilities are measured at fair value when initially recognized. For financial instruments whose value is measured at fair value, the

related trading fees of whom are recorded into gains or loss; For other financial instruments, the related fees are recognized as part of initial value.

4.9.1 Recognition of financial assets and liabilities' fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Company uses quoted price in the active market to establish its fair value. The quoted price in the active market refers to the price that can be regularly obtained from exchange market, agencies, industry associations, pricing authorities; it represents the fair market trading price in the actual transaction.

For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Company measures initially and subsequently the fair value of an interest rate swap at the value of a competitor's interest rate swap quoted by a recognized financial institution as at the Company's balance sheet date in accordance with the principle of consistency.

4.9.2 Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

4.9.2.1 Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

- A. the financial asset is acquired for the purpose of selling it in the short term;
- B. the financial asset is a part of a portfolio of identifiable financial instruments that are

collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

A financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions:

A. the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.

B. a Group of financial instruments is managed, and its performance is evaluated on a fair value basis and is reported to the enterprise's key management personnel. Formal documentation regarding risk management or investment strategy has prepared.

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

4.9.2.2 Investment held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has a positive intention and ability to hold to maturity. Such kind of financial assets is subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

The effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received by the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

4.9.2.3 Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed, determinable

payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include note receivables, account receivables, interest receivable dividends receivable and other receivables.

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

4.9.2.4 Financial assets available-for-trade

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

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and dividends declared by the investee during the period in which the financial assets available-for-trade are held, are recognized as investment gains.

4.9.3 Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

4.9.3.1 Impairment on held-to-maturity investment, loans, and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as an impairment loss. If there is objective evidence to indicate the recovery of the value of financial assets after impairment, and it is related to the subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

4.9.3.2 Impairment loss on available-for-trade financial assets

Where the fair value of the equity instrument investment drops significantly or not

contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in the capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be the difference between the acquisition cost with a deduction of a recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

4.9.4 Recognition and measurement of financial assets transfer

The Group derecognizes a financial asset when one of the following conditions is met:

- a. the rights to receive cash flows from the asset have expired;
- b. the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- c. the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as a financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a). the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in

other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

4.9.5 Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

4.9.5.1 Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognized in profit or loss for the current period.

4.9.5.2 Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the current period.

4.9.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the present underlying obligation (or part of it) is discharged or canceled or has expired. An agreement between

the Company (an existing borrower) and existing lender to replace original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

4.9.7 Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The gain or loss caused by the fair value change of the hedging instrument which the hedging is high efficiency will be recorded into a specific period in accordance with the hedging accounting according to the hedging relationship. Except for the hedging above, the resulting gain and loss of other derivatives is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition date or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

4.9.8 Offsetting financial assets and financial liabilities

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

4.9.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity

instruments, net of transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognize any changes in the fair value of equity instruments.

4.10 Receivables

The receivables by the Company include account receivables and other receivables.

4.10.1 Impairment of receivables

Receivables are assessed for impairment on balance sheet dates. An impairment allowance for receivables is recognized if any of the following is present in assessment:

- a. significant financial difficulty of the issuer or obligor; or
- b. a breach of contract, such as a default or delinquency in interest or principal payments; or
- c. it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- d. other objective evidence is indicating impairment.

4.10.2 Impairment allowance for receivables

4.10.2.1 Receivables of individual significance subject to individual assessment and the relevant impairment allowance

Individual receivables equal to or over CNY 2,000,000.00 are classified as receivables of individual significance.

Receivables of individual significance are individually assessed for impairment. Receivables of individual significance assessed as non-impaired upon individual assessment are incorporated into portfolios of financial assets of similar credit risk characteristics for assessment for impairment by portfolio. Receivables of individual significance assessed as impaired upon individual assessment are no longer subject to assessment for impairment by portfolio.

4.10.2.2 Portfolios of receivables of similar credit risk characteristics and the relevant impairment allowance

A. Classification of portfolios

Receivables of individual insignificance and non-impaired receivables of individual significance upon individual assessment are classified into portfolios of financial assets on the basis of similarity and relevance of credit risk characteristics. Credit risk characteristics represent the ability of the issuers or obligors to make payments in accordance with

contracts and future cash flows of the relevant assets. Evidence of portfolios :

| Portfolio | Criteria |
|--------------------------|---|
| Portfolio by age | Age of receivables |
| Related party portfolios | Entities within the scope of the consolidation. |

B. Impairment allowance for portfolios

Impairment allowance for portfolios is measured with reference to portfolio structure, credit risk characteristics (the ability of the issuers or obligors to make payments in accordance with contracts) of each portfolio, historical experience, current market economic conditions, and recognized impairment in each portfolio.

Measurement method for impairment allowance for portfolios

| Portfolio | Measurement method |
|--------------------------|---------------------------|
| Portfolio by age | Age analysis method |
| Related party portfolios | No allowance for bad debt |

a. Impairment allowance measured by age analysis

| Age group | Proportion to accounts receivable (%) | Proportion to other receivables (%) |
|---|---------------------------------------|-------------------------------------|
| Less than 1 year (inclusive, same applies to the following) | | |
| Including: 1 to 6 months | 1.00 | 1.00 |
| 7 to 12 months | 5.00 | 5.00 |
| 1 to 2 years | 10.00 | 10.00 |
| 2 to 3 years | 50.00 | 50.00 |
| Over 3 years | 100.00 | 100.00 |

4.10.2.3 Receivables of individual insignificance subject to individual assessment

Receivables of individual insignificance are individually assessed for impairment is any of the following is present:

there is disagreement with the issuer or obligor, or are subject to litigation; or it is clearly evidential that the issuer or obligor is very likely not capable of fulfilling its commitments.

When a receivable of individual insignificance is impaired upon individual assessment for impairment, an impairment loss is recognized as the excess of its carrying amount over the present value of its future cash flows and an impairment allowance of the same amount is

recognized.

4.10.3 Reversal of impairment allowance for receivables

After the impairment is recognized, if events subsequent to the recognition of the impairment are objectively evidential that the impairment no longer exists, the impairment allowance and impairment loss are reversed; however, the reversal shall not cause the carrying amount of the receivable exceeds its carrying amount as at the reversal date as if no impairment allowance was recognized.

4.11 Inventories

4.11.1 Classification of inventory

The Company's inventory mainly includes raw materials, semi-finished product, work-in-progress and finished products.

4.11.2 Costing of inventories

Inventories are initially carried at the actual cost. Cost of inventories includes purchase cost, conversion cost, and other costs. Cost of the issue is measured using the weighted average method.

4.11.3 Determination of net realizable value of inventories and impairment allowance for inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is normally determined by the difference of the cost of the individual item less its realizable value. For large quantity and low-value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline

in value is determined on an aggregate basis.

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

4.11.4 Physical inventories are managed by the perpetual inventory taking system.

4.11.5 Amortisation of low-value consumables and packaging materials

Low-value consumables and packaging materials are fully amortized at the time of issuance.

4.12 Held-for-sale assets and disposal group

The company classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the following conditions shall be met: a) the asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b) the company has made the resolution on the disposal plan and must be committed to a plan to sell the asset (or disposal group); c) the sale is expected to be completed within one year from the date of classification. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group shall include goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of Accounting Standard for Business Enterprises No. 8 – Impairment of assets.

The company measures a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell on initial recognition and subsequent remeasurement on the balance sheet date. An impairment loss is recognized when the carrying amount is higher than the fair value less costs to sell, and allowance for impairment is recognized accordingly. For the disposal group, the recognized impairment loss on assets is offset against the carrying amount of the goodwill in the disposal group, and then reduced in proportion of the book value of the non-current assets applicable to "Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinued Operations (hereinafter referred to as "held for sale

accounting principle") measurement requirements. The company shall recognize a gain during the period for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized after the reclassification to non-current assets held for sale. The book value of assets in the disposal group is increased proportionately according to the proportion of the book value of each non-current asset except for goodwill. Impairment loss recognized before the reclassification to non-current assets held for sale shall not be recovered.

Non-current asset or non-current asset in the disposal group classified as held for sale are not subject to depreciation or amortization. The interest and other expenses on liabilities held in the disposal group for sale are continuously recognized.

Non-current assets or disposal group that no longer meet the conditions of non-current asset held for sale shall be removed from the category, and shall be measured at the lower of the following: (a) The carrying amount before classification as held for sale after adjustment of depreciation, amortization or impairment that should be recognized if it is not classified as non-current assets held for sale; (b) recoverable amount.

4.13 Long-term equity investments

Long-term equity investments in this section refer to the long-term investment through which the Company has control, joint control, or material influence on the investee. Long-term equity investments through which the Company does not have control, joint control or material influence on the investee shall be recognized as available-for-sale financial assets or financial assets measured by fair value with changes in fair value recognized in profit or loss. See Note 4.9 for details.

Joint control is the contractually agreed sharing of control over economic activity and exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4.13.1 Determination of Investment cost

Long-term equity investment acquired through business combination under common control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the initial cost and cash paid, non-monetary assets transferred, and liabilities assumed by is adjusted to capital reserves, and to retained earnings if capital

reserves are insufficient. If the consideration is paid by issuing equity instruments, the initial cost is measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements, with the face value of the equity instruments issued recognized as share capital and the difference between the initial cost and the face value of the equity instruments issued adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. For business combination involving entities under common control achieved through multiple transactions (acquisition in stages), the multiple agreements are assessed to determine whether they should be viewed as a lump-sum purchase. Where multiple agreements of an acquisition in stages are viewed as a lump-sum purchase, the transactions are viewed as one transaction that acquires the control power. Where multiple agreements of an acquisition fail the conditions of a lump-sum purchase, long-term equity investment acquired through business combination under common control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the initial cost, and the book value of the long-term equity investment before combination date and considerations paid to acquire new shares on the combination date, is adjusted to capital reserves, and to retained earnings if capital reserves are insufficient.

Long-term equity investment acquired through business combination not under common control is measured at combination cost on the combination date. The combination cost includes assets contributed by the purchaser, liabilities incurred or assumed by, and fair value of the equity instruments issued by the acquirer. For business combination involving entities not under common control achieved through multiple transactions (acquisition in stages), the multiple agreements are assessed to determine whether they should be viewed as a lump-sum purchase. Where multiple agreements of an acquisition in stages are viewed as a lump-sum purchase, the transactions are viewed as one transaction that acquires the control power. Where multiple agreements of an acquisition fail the conditions of a lump-sum purchase, long-term equity investment acquired through business combination not under common control are measured at the sum of the original book value of the equity investment on the investee and the new investment cost, which is regarded as the new initial cost of the long-term investment when transferred to cost method. If the original equity is measured by the equity method, not accounting treatment is applied to relevant other comprehensive income temporarily.

The audit, legal services, valuation, and other directly associated administrative expenses

incurred by the acquirer are recognized in profit or loss on the transaction dates.

Long-term equity investments acquired not through business combination are measured at cost on initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. When the Company increase investment to have material influence or joint control, but not control over the investee, long-term investments are measured at the sum of the fair value of initial equity investment and cost of new investment as defined in CAS22-Recognition and Measurement of Financial Assets.

4.13.2 Subsequent measurement and recognition and measurement of gain or loss

Where a long-term equity investment gives the Company either joint control or significant influence over the respective investee, the investment is subsequently measured using the equity method.

Where a long-term equity investment gives the Company control over the respective investee, the investment is subsequently measured at cost.

4.13.2.1 Long-term equity investments measured at cost

A long-term equity investment is measured at the cost of investment, excluding declared cash dividends or profit pending distribution included in the consideration paid. Investment income for the relevant period from a long-term equity investment measured at cost is recognized as the Company's share of the cash dividends or profit declared for distribution by the investee.

4.13.2.2 Long-term equity investments measured using the equity method

When the cost of a long-term equity investment measured using the equity method on initial recognition exceeds the Company's share of the fair value of the respective investee's net identifiable assets, no adjustment is made to the cost of the investment for the excess. When the Company's share of the fair value of an investee's net identifiable assets exceeds the cost of the respective long-term equity investment measured using the equity method on initial recognition, adjustment is made to the cost of the investment for the difference and the difference is carried to profit or loss for the period during which the investment is recognized.

Investment income or loss and other comprehensive income for the relevant period from a long-term equity investment measured using the equity method is measured at the Company's share of the net profit or loss and other comprehensive income of the respective investee for the relevant period, and the book value of long-term equity investments is adjusted accordingly. If the investee declares profit distribution or cash dividends, long-term equity investments are reduced by the Company's share of declared profit distribution or cash dividends in the investee. Long-term equity investments will be adjusted, and capital reserves are recognized with variations other than net profit or loss, other comprehensive income, and profit distribution. When computing the Company's share of the net profit or loss of the investee for the relevant period, net profit or loss of the investee for the relevant period is adjusted, if necessary, for the fair value of the investee's identifiable assets and identifiable liabilities on acquisition and the Company's accounting policies and accounting period. Investment income and other comprehensive income is recognized accordingly. The computation of the Company's share of the net profit or loss of the investee for the relevant period also eliminates unrealized profit and loss arising from transactions between the Company and the investee (a joint venture or associate, whichever is applicable) and contributing or selling assets to the investee which forms an operation, to the extent of the Company's share calculated by the Company's shareholding in the investee for the relevant period, except for the unrealized loss resulted from impairment of transferred assets. When contributing assets to the joint venture or associate by the Company forms an operation, and the investor acquires the long-term equity investment without control, long-term equity investments are measured at fair value of the contributed operations, with the difference between initial investment cost and book value of the contributed operation fully recognized in profit or loss for the period. When selling assets to the joint venture or associate by the Company forms an operation, the difference between considerations received and book value of the operation is fully recognized in profit and loss for the period. When purchasing assets from the joint venture or associate by the Company belongs to an operation, income and losses are fully recognized as specified in CAS20-Business Combination.

When the Company's share of an investee's net loss exceeds the sum of the carrying amount of the respective long-term equity investment measured using the equity method and other investments in the investee, the carrying amount of the long-term equity investment and other investments in the investee is reduced to zero. If the Company is obliged to share loss of the investee after its long-term equity investment and other

investments have been reduced to zero, an investment loss and provision is recognized to the extent of the estimated obligation. If the investee reports profits in subsequent periods, the Company only recognizes its share of profit after its share of profit equals the share of loss not recognized.

For long-term equity investments in associates and joint ventures which had been held by the Company before its first time adoption of new accounting standards, where the initial investment cost of a long-term equity investment exceeds the Company's share in the investee's net assets at the time of acquisition, the excess is amortized and is recognized in profit or loss on a straight-line basis over the original remaining life.

4.13.2.3 Acquisition of minority interests

If minority interests in an investee is acquired by the Company, during the Company's preparation of the consolidated financial statements, the difference between the Company's cumulative share of the investee's net assets calculated on the basis of the new shareholding in the investee from the acquisition date (or combination date) and the Company's investment in the investee following the minority interest acquisition is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient.

4.13.2.4 Disposal of long-term equity investments

On the consolidated financial statements, when partly disposal of a long-term equity investment in a subsidiary which does not cause loss of control over the subsidiary, the difference between the consideration for disposal and the net identifiable asset given away proportionate to the disposed shares in the subsidiary is recognized in equity; partly disposal of a long-term equity investment in a subsidiary which causes loss of control over the subsidiary is accounted for in accordance with Note 4.5.2.

The difference between the consideration for disposal of long-term equity investments and the carrying amount of the long-term equity investments disposed of is recognized in profit or loss for the period during which the investments are disposed of.

When a long-term equity investment measured using the equity method is disposed, and the residual equity after disposal is still measured using equity method, the respective cumulative other comprehensive income recognized in equity proportionate to the disposed of investment shall adopt the same accounting treatment as the investee disposes of relevant assets or liabilities directly. Movement in investee's equity other than changes in net profit or loss, other comprehensive income, and profit distribution is recognized in profit or loss proportionally.

When a long-term equity investment measured using the cost method is disposed and the residual equity after disposal is still measured using cost method, other comprehensive income, which is recognized by equity method or recognition and measurement applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the the investee disposes relevant assets or liabilities directly on the date of loss of control, and profit or loss is recognized proportionally. Movement in investee's equity other than changes in net profit or loss, other comprehensive income, and profit distribution is recognized in profit or loss proportionally.

Where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment is measured by equity method in the Company's separate financial statements; where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and book value of the remaining investment at the date of loss of control is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment, which is recognized by equity method or recognition and measurement principles applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the investee disposes relevant assets or liabilities directly on the date of loss of control, The investee's equity movement other than changes in net profit or loss, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognized in profit or loss when control is lost. Where the remaining investment is measured by equity method, the afore-mentioned other comprehensive income and other equity movement are recognized in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the afore-mentioned other comprehensive income and other equity movement are fully recognized in profit or loss.

Where the Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognized

in profit or loss. Cumulative other comprehensive income relevant to the investment, which is recognized by equity method or recognition and measurement principles applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the investee disposes relevant assets or liabilities directly on the date of loss of control. The investee's equity movement other than changes in net profit or loss, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognized in profit or loss when control is lost.

Where the Company's control over an investee is lost through multiple disposals and the multiple disposals can be viewed as a lump-sum transaction, the multiple disposals are accounted for one single transaction which results in the Company's loss of control over the investee. Difference between the consideration received and the book value of the investment disposed at each time of disposal is recognized in other comprehensive income and reclassified in full to profit or loss at the period when control over the investee is lost.

4.14 Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset, and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditure in the profit or loss when it incurred.

The Group uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note 20 "Non-current and non-financial assets impairment."

Occupied real estate for investment property or investment property is transferred to the owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

Investment property change into the Owner-occupied real estate, since the change of date for the investment property, is transferred to fixed assets or intangible assets. Change the owner-occupied property held to earn rentals or for capital appreciation, since the change of date, the fixed assets or intangible assets to investment property. Conversion occurs when converted to investment property using the cost model, as the book value before the conversion of the recorded value after the conversion; converted to investment property measured at fair value model, the fair value of the conversion date as the recorded value

after conversion.

Derecognized, when the investment property is disposed of or permanently withdrawn from use and the expected economic benefits, cannot be obtained from the disposal of investment property. Proceeds on disposal of investment property is sold, transferred, retired or damaged through profit or loss after deducting the book value and related taxes.

4.15 Fixed assets

4.15.1 Definition

Fixed assets refer to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year.

4.15.2 Depreciation of fixed assets

Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement. From the following month of a state of intended use, depreciation method of the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

| Category | Expected useful life | Estimated residual value (%) | Depreciation (%) |
|-------------------------------------|----------------------|------------------------------|------------------|
| Houses and building | 8.00-35.00 | 3.00-5.00 | 2.70-12.10 |
| Machineries | 5.00-10.00 | 3.00-5.00 | 9.50-19.40 |
| Vehicles | 4.00 | 3.00 | 24.25 |
| Administrative equipment and others | 3.00 | 3.00 | 32.33 |

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

4.15.3 Assessment of impairment and impairment allowance

Impairment and provisions of fixed assets are disclosed on Note 4.20 Impairment of non-current and non-financial assets.

4.15.4 Recognition and measurement of fixed assets held under financial lease

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. The title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably

determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

4.15.5 Other relevant information

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

The revenue from selling or transferring or disposing of a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as a change in accounting estimates.

4.16 Construction in progress

The cost of construction in progress is measured at the actual expenditure incurred, including construction expenditure and capitalization of borrowing costs and other applicable costs incurred prior to the completion. An item of construction in progress is reclassified to fixed asset upon completion.

See Note 4.20 for details of assessment for impairment of construction in progress and impairment allowance for construction in progress.

4.17 Borrowing costs

Borrowing costs include interests on loans, amortization of discount or premium, ancillary expenses, and foreign exchange difference on loans denominated in foreign currencies. Borrowing costs directly associated with the acquisition of construction of a qualifying asset are eligible for capitalization. Capitalization starts when expenditure on the qualifying asset is incurred, borrowing costs are incurred, or production or construction of the qualifying asset for its intended use or sales is started, whichever is later. Capitalization stops when the qualifying assets reach the condition of its intended use or sales. All other borrowing costs are recognized in profit or loss for the period during which they are incurred.

When a loan is taken out specifically for the construction of a particular qualifying asset, the interest expense capitalized for a particular period is the residual amount after deducting interest income from unused facilities for the period and/or income from temporary investment of the unused facilities for the period from the interest expense incurred for the period. Borrowing costs on general purpose financing are calculated by multiplying the weighted average of the excess of cumulative capital expenditure over the designated financing facilities with the capitalization rate of general purpose financing. The capitalisation rate of general purpose financing is calculated as the weighted average of the interest rates of general purpose financing.

Foreign exchange difference on designated financing denominated in foreign currencies incurred during the capitalization period is wholly capitalized. Foreign exchange difference on general purpose financing denominated in foreign currencies is recognized in profit or loss for the period during which it is incurred.

A qualifying asset is an item of fixed assets, investment property, inventories, etc. which requires a substantial period of time for the construction or production for its intended use of sales.

If the construction or production of a qualifying asset stops for a period longer than three months, capitalization of borrowing costs is suspended until the construction or production is resumed.

4.18 Intangible assets

4.18.1 Intangible asset

An intangible asset is an identifiable non-monetary asset without a physical form which is owned or control by the Company.

Intangible assets are measured at cost on initial recognition. If it is probable that economic benefits associated with expenditure directly associated with an item of intangible assets will flow to the Company and the cost of the expenditure can be reliably measured, the expenditure is measured as part of the intangible asset's initial cost; all other expenditure is recognized in profit or loss for the period during which it is incurred.

Land use rights acquired are generally recognized as intangible assets. In the case of a self-constructed building, the costs of acquiring the respective land use right(s) and the costs of building construction are separately recognized and measured as intangible assets and fixed assets respectively. In the case of a purchased building, the costs of acquisition are allocated to land use right(s) and building; if the reasonable allocation is

impossible, the costs of acquisition as a whole are recognized and measured as fixed assets.

For an item of intangible assets which is with a finite useful life, the residual amount after deducting its estimated residual value and previously recognized impairment from its cost is amortized over its estimated remaining useful life using the straight-line method starting from the month in which it reaches the conditions of its intended use of sales. Intangible assets with infinite useful life are not amortized.

Useful lives of intangible assets are a review on each balance sheet date. If circumstances indicate that there is a change in the useful life of an item of intangible assets with a finite useful life, a change in accounting estimates is carried out. If circumstances indicate that the useful life of an item of intangible assets with infinite useful life becomes finite, the useful life of the intangible asset is estimated, and the intangible asset is amortized accordingly.

4.18.2 Research and development expenditure

A research and development project is divided into research stage and development stage.

Expenditure incurred during the research stage is recognized in profit or loss for the period during which it is incurred.

Expenditure incurred during the development stage is recognized as intangible assets if all of the following conditions are satisfied:

- a. it is technically feasible to complete the intangible asset so that it can be used or sold; and
- b. the Company has clear intention to complete the intangible asset and to use it or sell it; and
- c. it is evidential that the intangible asset will generate economic benefits either by selling the intangible asset itself or the goods produced by the intangible asset or by using it internally; and
- d. there are sufficient technical, financial and other resources to complete the intangible asset and the Company is able to use it or sell it, and
- e. expenditure incurred in the development stage of the intangible asset can be reliably measured.

Where a research and development project cannot be separated into the research stage and development stage, all expenditure incurred for the project is recognized in profit or

loss for the period during which it is incurred.

4.18.3 Assessment of impairment and impairment allowance

See Note 4.20 for details of assessment for impairment of intangible assets and impairment allowance for intangible assets.

4.19 Deferred charges

An item of deferred charges is an expense incurred which brings economic benefits to the Company for a period exceeding one year starting from the transaction date. An item of deferred charges is amortized over its estimated useful life using the straight-line method.

4.20 Impairment of non-current assets

Non-current non-monetary assets, such as fixed assets, construction in progress, intangible assets with finite useful life, investment property measured by cost, and long-term equity investments in subsidiaries, joint ventures, and associates, are assessed for impairment on each balance sheet date. If circumstances on a balance-sheet date indicate that a non-current non-monetary asset is impaired, the recoverable amount of the asset is estimated. The recoverable amounts of goodwill, intangible assets with infinite useful life and intangible assets which have not yet reached the conditions of their intended use or sales are estimated at least once a year regardless of whether there is an indication of impairment.

If the carrying amount of a non-current non-monetary asset exceeds its estimated recoverable amount, the excess of the carrying amount over the estimated recoverable amount is recognized as impairment allowance, and an impairment loss of the same amount is recognized. The estimated recoverable amount of an asset is the higher of the residual amount after deducting disposal expense of the asset from its fair value and the present value of its future cash flows. Where there is a sales contract for an asset, and the contract is entered into for an arm's length transaction, the fair value of the asset is the contract price; where there isn't a sales contract for an asset, but there is an active market for it, the fair value of the asset is price offered by the buyer; where there is neither a sales contract nor an active market for an asset, the fair value of the asset is the best estimate based on all available information. The disposal cost of an asset includes legal expenses, applicable taxes and fees and transportation costs directly associated with the asset's disposal and all direct costs necessary to bring the asset to its sellable condition. The present value of an asset's future cash flows is calculated by multiplying the cash flows arising from the continual use of the asset and its disposal at an appropriate discount rate. An impairment allowance is generally calculated on the basis of individual assets. If it is not

possible to estimate the recoverable amount of an individual asset, the recoverable amount of a cash-generating unit to which the asset belongs is estimated. A cash-generating unit is the smallest combination of assets that are capable of cash flow generation.

Goodwill separately presented on the (consolidated) financial statements is allocated to cash-generating units or groups of units that are expected to benefit from the synergy of business combination for impairment testing. Where the recoverable amount a cash-generating unit (or group of units) is lower than its carrying amount, an impairment loss is recognized. The impairment loss is firstly allocated to the goodwill allocated to the unit (or group of units) and then to individual assets pro rata on the basis of the carrying amount of each asset in the unit (or group of units)

The impairment loss recognized in accordance with this section is irreversible in subsequent periods.

4.21 Employee Benefits

The employee benefits of the company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits include wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits etc. Short-term employee benefits are recognized as liabilities and profit or loss account or the costs associated with the asset during the accounting period when employees actually provide services. The non-monetary benefits are measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plan which includes the basic pension, unemployment insurance and annuities shall be recognized as cost of related assets or profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this company, a provision shall be recognized for the compensation arising from the termination of employment relationship with employees at the time when the Company cannot unilaterally withdraw layoff proposal termination benefits provided due to termination of employment or the company ensures the costs related to the payment for termination benefits related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits cannot be fully paid within twelve months of the reporting date the

liability shall be processed in accordance with other long-term employee benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirement shall be recognized in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the company to employees that are in line with defined contribution plans shall adopt the accounting treatment in accordance with defined contribution plans, otherwise the accounting treatment of defined benefit plans.

4.22 Provisions

A contingent liability is recognized as provision if all or the following conditions are satisfied:

- a. it is a present obligation assumed by the Company; and
- b. it is probable that the fulfillment of the obligation will cause economic benefit flows from the Company; and
- c. the amount of the obligation can be reliably measured.

A provision is measured on a balance-sheet date as the best estimate of the amount that is required for the fulfillment of the present obligation after considering of the risks and uncertainty associated with the respective contingent events and the time value of money.

If the amount required for settlement of a provision is wholly or partly reimbursed by a third party, the reimbursement is recognized separately as an asset to the extent of the carrying amount of the provision if it is probable that the reimbursement becomes receivable.

4.23 Revenue

4.23.1 Revenue from sales of goods

Revenue arising from sales of goods are recognized if all of the following conditions are satisfied: significant risks and rewards attached to the ownership of the goods have been transferred to the buyer; and the Company neither retains continual involvement with management generally associated with the ownership of the goods nor exercise effective control over the goods sold; and the amount of revenue can be reliably measured; and it is probable that economic benefits arising from the sales will flow to the Company; and expenses incurred or to be incurred associated with the goods sold can be reliably measured.

Revenue arising from domestic sales of goods is recognized when goods are dispatched and delivered to the buyer, when significant risks and rewards attached to the ownership of

the goods sold are passed to the buyer, when neither continual involvement in the rights normally associated with the ownership of the goods sold nor effective control over the goods controls are retained, when revenue arising from the goods sold is reliably measurable, when inflow of future economic benefits is probable, and when cost incurred or to be incurred associated with the goods sold is reliably measurable. Revenue arising from non-domestic sales of goods is recognized when goods are loaded on board and when the export clearance with the custom is completed.

4.23.2 Revenue from rendering of services

When the income of service rendered can be reliably estimated, revenue arising from the service is recognized based on a percentage of completion on the respective balance sheet date. The percentage of completion of service rendered is determined by the proportion that costs incurred to date bear to the estimated total costs.

The outcome of service rendered can be reliably estimated if all of the following conditions are satisfied: a. the amount of revenue can be reliably measured; b. it is probable that associated economic benefits will flow to the Company; c. the percentage of completion of service rendered can be reliably measured; and d. costs incurred to date and to be incurred can be reliably measured.

When the outcome of service rendered cannot be reliably estimated, revenue is recognized to the extent that costs incurred to date and to be incurred are expected to be reimbursed, and costs incurred to date are recognized in profit or loss for the periods during which they are incurred. When costs incurred are not expected to be reimbursed, no revenue is recognized.

If a contract entered into by the Company and a counterparty involves both sales of goods and rendering of services and revenue arising from goods sold and services rendered can be distinguished, revenue from sales of goods and rendering of services are separately accounted for; if, however, revenue arising from goods sold and services rendered cannot be distinguished or can be distinguished but cannot be separately measured, all revenue is accounted for as revenue arising from sales of goods.

4.23.3 Royalty income

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

4.23.4 Interest income

Interest income is determined by the length of time over which the Company's financial

resources are used by other parties using the effective interest rate method.

4.24 Government Grants

A government grant is a transfer of monetary and non-monetary assets from the government to the Company for no consideration, excluding resources transferred to the Company by the government in the capacity of the shareholder. Government grants include grants related to assets and grants related to income.

Government grants obtained by the Company which is relevant to construction or acquisition of long-term assets are classified as asset-related government grants; all other government grants are classified as revenue-related government grants. For government grants without a specified beneficiary, the Company performs classification in accordance with the following criteria.

- a. Where a grant is obtained for a specified project, the grant is split into asset-related and revenue related portions proportionate to the project's investment to expense ratio; the classification is reviewed on each balance sheet date and revised if necessary.
- b. Where a grant is obtained for general purpose, the grant as a whole is classified as a revenue-related government grant.

If a government grant is in the form of monetary assets, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary assets, it is measured by the fair value of the assets; if the fair value of the assets granted cannot be reliably measured, the grant is measured by the nominal value of the assets and is recognized immediately in profit or loss for the relevant period.

In general, the Company recognizes a government grant when it is actually received, and measures at the amount actually received. However, a government grant may be recognized as receivable if it is objectively evidential on the reporting date that conditions for the grant receipt are satisfied and that the grant is receivable. A government grant is recognized as receivable if all following conditions are satisfied:

- a. the amount of the grant is expressly stipulated in an official publication by the authorized governmental agency or can be reasonably estimated in accordance with fiscal pronouncement issued by the authorized governmental agency, and the estimate is not subject to significant uncertainty;
- b. the grant is officially disclosed as part of publicly disclosed fiscal subsidized projects by the local fiscal government bodies in accordance with the Government Information Disclosure Directives and is managed in accordance with the fiscal plan published and the

- management of the grant if not entity-specific, i.e., every eligible entity is entitled to apply;
- c. the term for payment is expressly stipulated in the official pronouncement, and the payment is backed by fiscal planning so that it is reasonable to expect receipt within the term of the payment; and
- d. other conditions (inapplicable) need to be satisfied taking into account the Company's circumstances.

Grants related to assets are recognized as deferred income and amortized over the useful life of the relevant assets using the straight-line method. A grant related to income is recognized as deferred income if it is related to expenses or loss to be incurred in the future and is carried to profit or loss for the period during which the relevant expenses or loss are recognized; it is recognized in profit or loss for the period during which it is received or becomes receivable if it is related to expenses or loss already incurred. When assets are sold, transferred, disposed or scraped before the end of useful life, the remaining differed income will be transferred to profit or loss in the current period of asset disposal.

The government grants related to the daily activities of the Company are included in other income or offsetting the related costs according to the substance of the economic business. The government grants unrelated to the daily activities are included in the non-operating income and expenses.

Where a recognized grant becomes repayable, the amount repayable is firstly charged to the remaining deferred income (if any); the remaining amount after charge to deferred income is recognized in profit or loss for the period during which it becomes repayable.

4.25 Deferred tax assets and deferred tax liabilities

4.25.1 Current income tax

The current income tax liability (asset) on a balance-sheet date is measured at the amount of current income tax payable (receivable) computed in accordance with the relevant tax law. Current income tax expense is computed on the basis of taxable profit (loss) which is the amount after the adjustment of the relevant accounting profit (loss) in accordance with the relevant tax law.

4.25.2 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized on an accrual basis for the temporary difference between the carrying amounts of assets and liabilities and their tax bases and the temporary difference arising from the difference in recognition criteria for assets and liabilities between CAS and relevant tax provisions.

No deferred tax liability is recognized for the temporary taxable difference arising from the initial recognition of goodwill and the initial recognition of assets and liabilities acquired or assumed resulting from transactions which are not business combination, and which do not have impact on both accounting profit and taxable profit (deductible tax loss) at the time of their occurrence. Similarly, the deferred tax liability is not recognized for temporary taxable difference associated with investments in subsidiaries, associates, and joint ventures if the Company can control the reverse of the temporary difference and it is probable that the temporary difference is not expected to reverse in the foreseeable future. Except for the circumstances described hereabove, the deferred tax liability is recognized for all other taxable temporary difference.

No deferred tax asset is recognized for the temporary deductible difference arising from the initial recognition of assets and liabilities acquired or assumed resulting from transactions which are not a business combination, and which do not have an impact on both accounting profit and taxable profit (deductible tax loss) at the time of their occurrence. Similarly, deferred tax asset is not recognized for temporary deductible difference associated with investments in subsidiaries, associates, and joint ventures if the Company can control the reverse of the temporary difference and it is probable that the temporary difference is not expected to reverse in the foreseeable future. Except for the circumstances described hereabove, deferred tax asset is recognized for all other deductible temporary difference to the extent that it is probable that taxable profit will be available against which the temporary deductible difference can be utilized.

Deferred tax asset is recognized for deductible tax loss and tax credit carrying forward to the extent that it is probable that taxable profit will be available against which the deductible tax loss and tax credit carryforward can be utilized.

Deferred tax assets and deferred tax liabilities are measured on a balance-sheet date on the basis of tax rates expected to be applicable in accordance with relevant tax law at the time when the relevant assets are recovered, or relevant liabilities settled.

The carrying amount of deferred tax assets is reviewed on each balance sheet date. If it is probable that insufficient taxable profit is available to utilize the deferred tax assets, the carrying amount of deferred tax assets is reduced. When it is probable that sufficient taxable profit becomes available after the carrying amount of deferred tax assets has been reduced, the reduction is reversed.

4.25.3 Income tax expenses

Income tax expenses include current income tax expenses and deferred income tax

expenses.

All current income tax expenses (credit) and deferred income tax expenses (gains) are recognized in profit or loss for the relevant period except for a. current income tax and deferred income tax on transactions and events which are accounted for in other comprehensive income or directly in equity, which are included in other comprehensive income or directly recognized in equity depending on the treatment of its underlying transactions and events, and b. deferred income tax arising from business combination, which is accounted for as an adjustment to the carrying amount of the respective goodwill.

4.25.4 Offsetting of income tax

A current income tax liability and current income tax asset are presented on (consolidated) financial statements after netting only if the Company is permitted by law to settle the asset and liability net in cash and is planning to do so or to recover the asset and settle the liability simultaneously.

A deferred tax asset and deferred tax liability are presented on (consolidated) financial statements after netting only if all of the following conditions are satisfied: the Company is permitted by law to settle the current asset and liability related to an income tax net in cash; and the deferred tax asset and deferred tax liability arising from that income tax is levied by the same tax authority on the same entity or on different entities but the relevant entities are planning to settle the underlying income tax net in cash or simultaneously recover the relevant assets and settle the relevant liabilities during each future period during which significant deferred tax assets and deferred tax liabilities are reversed.

4.26 Lease

A financial lease is a lease which in substance transfers all risks and rewards attached to the ownership of the leased asset to the lessee although the ownership of the leased asset ultimately may or may not be transferred. An operating lease is any lease that does not fall within the meaning of a financial lease.

4.26.1 Operating lease to which the Company is the lessee

Lease payments for an operating lease to which the Company is the lessee are amortized over the lease term using the straight-line method and recognized in the cost of the relevant asset or expense, whichever is applicable. Initial expenses incurred for activities directly attributable to the lease are recognized in profit or loss for the period during which they are incurred. Contingent rental payments are recognized in profit or loss when they are incurred.

4.26.2 Operating lease to which the Company is the lessor

Rental income from an operating lease to which the Company is the lessor is amortized over the lease term using the straight-line method. Significant initial expenses incurred for activities directly attributable to the lease are capitalized at the time when they are incurred and amortized over the lease term in the same manner as the amortization of rental income; insignificant expenses initial expenses incurred for activities directly attributable to the lease are recognized in profit or loss for the period during which they are incurred. Contingent rental income is recognized in profit or loss when it is received or becomes receivable.

4.26.3 Financial lease to which the Company is the lessee

At the commencement of a financial lease to which the Company is the Lessee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognized as the cost of the leased asset; the minimum lease payment is recognized as a long-term payable; and the excess of the long-term payable over the amount recognized as the cost of the leased asset is recognized as unrecognized lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognized as part of the cost of the leased asset. The residual amount after deducting the unrecognized lease expenditure from the long-term payable is divided into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognized lease expenditure is amortized over the lease term using the effective interest rate method, and the amortization is recognized as lease expense in profit or loss for the relevant period. Contingency lease rental is recognized in profit or loss when it is incurred.

4.26.4 Financial lease to which the Company is the lessor

At the commencement of a financial lease to which the Company is the lessor, the sum of the minimum lease rental receivable and the initial expenses incurred for activities directly attributable to the lease is recognized as the initial amount of the respective financial lease rental receivable; unguaranteed residual value is recorded, if any; the excess of the present value of the sum of the minimum lease rental receivable, the initial expenses incurred for activities directly attributable to the lease and the unguaranteed residual value over the sum itself is recognized as unrecognized lease income. The residual amount after deducting the unrecognized lease income from the financial lease rental receivable is divided into non-current receivable and non-current receivable due within one year

depending on maturity and presented on (consolidated) financial statements separately.

The unrecognized lease income is amortized over the lease term using the effective interest rate method, and the amortization is recognized as lease income in profit or loss for the relevant period. Contingency lease rental income is recognized in profit or loss when it is received or becomes receivable.

4.27 Changes in major accounting policies and accounting estimates

4.27.1 Change of accounting policies

Changes in accounting policies due to the implementation of the new Accounting Standards for Business Enterprises.

The Ministry of Finance published <Enterprise Accounting Standards No.42 - Held-for-sale non-current asset, disposable group, and Discontinued Operations >, a revised version of <Enterprise Accounting Standards No.16 - Government grants> and <Notice of revising financial statements format for general enterprise> (CaiKuai [2017] No.30) in 2017. The company has prepared the financial Statements for the year 2017 in accordance with the principles and notice mentioned above.

4.27.2 Change of accounting estimates

There is no significant change in accounting estimates for the company during the reporting period.

4.28 Significant account judgment and estimates

During the application of accounting policies, judgements, estimates, and presumption need to be made for elements of financial statements, which cannot be precisely measured due to inherent uncertainty existing in operating activities. The judgments, estimates, and presumption are made on the basis of the Company's past experience and other relevant factors. The exercise of judgements, estimates, and presumption has an impact on the measurement of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the inherent uncertainty of the judgments, estimates, and presumption may result in future significant adjustments to be made to the measurement of the affected assets and liabilities.

The judgments, estimates, and presumption are regularly reviewed on the basis of going concern. Where a change in accounting estimates is applicable, its impact on financial statements is recognized in the period during which the change occurs if the change has an impact on the financial statements for that period only; and in subsequent periods if the change also has an impact on the financial statements for subsequent periods.

Significant elements of financial statements and areas that are subject to judgements,

estimates and presumption on the balance-sheet date include the following.

4.28.1 Classification of lease

The Company classifies leases as operating lease and financing lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21--Leasing. The management shall make analysis and judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

4.28.2 Recognition of impairment allowance for receivables

In accordance with accounting policies applicable to receivables, loss arising from impairment of receivables is accounted for by allowance. Impairment of receivables are assessed on the basis of the collectability of receivables and the assessment requires judgements and estimates exercised by the management. Difference between actual results and the estimates will have impact on the carrying amount of receivables and the recognition and reverse of impairment allowance for receivable for the period during which the estimates are changed.

4.28.3 Recognition of impairment allowance for inventories

In accordance with accounting policies applicable to inventories, impairment allowance for inventories is recognized for inventories of which the carrying amount exceeds the net realizable value and inventories which are obsolete or have impaired salability. Loss arising from impairment of inventories is measured on the basis of the salability and net realizable value of the respective inventories. Judgements and estimates regarding impairment allowance for inventories require conclusive evidence obtained by the management and consideration of the purpose of inventory holding, impact of post balance-sheet-date events and other relevant factors. Difference between actual results and the estimates will have impact on the carrying amount of inventories and the recognition and reverse of impairment allowance for inventories for the period during which the estimates are changed.

4.28.4 Fair value of financial instruments

Fair value of financial instruments which are not quoted in an active market are measured by valuation techniques such as the discounted cash flow model, etc. Estimates of future cash flows, credit risks, market movement and relevance and choice of the appropriate discount rates are required for the measurement. Inherent uncertainty is inevitable in making these estimates and the change of estimates will have impact of the fair value of the respective financial instruments.

4.28.5 Impairment of financial assets available-for-sale

Impairment of available-for-sale financial assets and hence recognition of impairment loss recognized in profit or loss general depend on estimates and presumption made by the management. In making the judgements and estimates, the Company assesses the extent and duration that the cost of an available-for-sale financial asset exceeding its fair value and considers the investee's financial position and short-term prospects, including factors such as industry environment, technology advances, credit rating, default rates, and risks faced by peer entities.

4.28.6 Impairment of non-financial, non-current assets

Non-current assets are assessed for indicators of impairment on each balance sheet date. In addition, intangible assets with infinite useful life are subject to impairment testing on each balance-sheet date and whenever there is evidence indicating impairment; other non-financial non-current assets are subject to impairment testing only if their evidence indicating that the carrying amount becomes non-collectible.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is higher of the residual amount after deducting necessary expenses for disposal from its fair value and the present value of its future cash flows.

An asset's residual amount after deducting necessary expenses for disposal is determined by reference to the residual amount after deducting the incremental costs to dispose the asset from the selling price provided by contracts for sales of similar assets or the observable market price of similar assets.

When estimating the present value of future cash flows of an asset or cash-generating unit, significant judgments must be made regarding the production capacity, selling price, relevant operating costs of the asset or cash-generating unit and relevant discount rates for discounting the cash flows. The Company considers all available relevant information when determining the recoverable amount, including estimates regarding future production capacity, selling price and relevant operating costs made on the basis of reasonable and supportive presumption.

Goodwill is assessed for impairment at least annually. The assessment involves an estimate of the present value of the future cash flows associated with the assets or groups of assets to which goodwill has been allocated. The estimate considers the future cash flows associated with the assets or groups of assets to which goodwill has been allocated and the applicable discount rates for cash flow discounting.

4.28.7 Depreciation and amortization

Investment property, fixed assets, and intangible assets are depreciated (amortized) over their useful lives using the straight-line method after considering of their residual value. Useful lives of these assets are regularly reviewed for the purpose of determining the depreciation and amortization recognized for each period. Useful lives are determined on the basis of the Company's past experience on similar assets and expected new technology development. If existing estimates change significantly, the adjustment is made to the depreciation and amortization for future periods.

4.28.8 Deferred tax assets

All unutilized tax loss is recognized as deferred tax assets to the extent it is probable that taxable profit will be available against which the deductible tax loss can be utilized. Significant judgments are required to estimate the timing and amount of future taxable profit and to consider tax planning strategy so as to determine the number of deferred tax assets to be recognized.

4.27.9 Income tax

During the ongoing operation of the Company, there is uncertainty in the treatment for and amounts of certain transactions for income tax purpose. For example, the deductibility of certain expenses for income tax purpose is subject to the approval by the relevant tax authority. If the ultimate outcome of the uncertainty differs from the original estimate, the difference will have an impact on the current income tax expenses and deferred income tax expenses for the relevant period.

4.28.10 Accrued liabilities

Provision is recognized for product warranty, onerous contract, buy-back obligation, etc. on the basis of contract terms, current knowledge, and past experiences. A provision is recognized when a contingent event has resulted in a present obligation, the fulfillment of the present obligation will result in an outflow of economic benefits. The amount recognized is the best estimate of expenses that would be incurred to fulfill the present obligation. The recognition and measurement of provisions significantly depend on judgments of the management. In exercising judgment, the Company assesses risks and uncertainty associated with the contingent events and the time value of money, etc.

Note 5 Taxation

5.1 Major taxes and tax rate

| Tax | Tax rate (%) |
|-----|--------------|
|-----|--------------|

| Tax | Tax rate (%) |
|--|---|
| Value-added tax | Output VAT is charged at 6% or 17% on taxable income; VAT payable is calculated at the excess of output VAT over input VAT. |
| Consumption tax | The consumption taxes have been provided at the rate of CNY 1.00 yuan per kg, or 1,000 ml follow the quantity, and the consumption tax has been provided at the rate of 20% of the taxable sales. |
| Business tax | The business tax rate is the 5% of taxable income. |
| Urban maintenance and construction surcharge | Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 1, 5, 7%. |
| Education surcharge | Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 3%. |
| Local education surcharge | Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 2%. |
| Corporate income tax | See the table below. |

The income tax rate of entities:

| Entity | Income tax rate |
|---|-----------------|
| Anhui Longrui Glass Co.,Ltd | 15% |
| Anhui Ruisiweier Technology Co., Ltd | 15% |
| Bozhou Gujing waste recycling limited liability company | 10% |
| Wuhan Yashibo tech. Co., Ltd. | 10% |
| Hubei Hechuyuan Commercial Co., Ltd. | 10% |
| Anhui Gujing Distillery Co.,Ltd and other subsidiaries | 25% |

5.2 Tax incentives and approval

5.2.1 Anhui Longrui Glass Co., Ltd., a subsidiary of the Company, was granted the High-tech Enterprise Certificate (No. GR201634001204) on December 5, 2016 upon the qualification of high-tech enterprise. The certificate valid for three years and the applicable income tax rate in 2017 is 15%.

5.2.2 Anhui Ruisiweier Technology Co., Ltd, a subsidiary of the Company, was granted the High-tech Enterprise Certificate (No. GR201634000832) on October 21, 2016, upon the qualification of high-tech enterprise. The certificate valid for three years and the applicable income tax rate in 2017 is 15%.

5.2.3 According to the “Notice of the Ministry of Finance and the State Administration of Taxation on expanding the scope of preferential income tax policies regarding small low-profit enterprises” (CaiShui [2017] No. 43), for small low-profit enterprises with an annual taxable income of less than CNY500,000.00 (including CNY500,000.00), that the taxable income is calculated by 50% of original taxable income, and the corporate income

tax rate is 20% from 1 January 2017 to 31 December 2019. The subsidiaries of the company including Bozhou Gujing Waste Reclamation Co., Ltd., Wuhan Yashibo Technology Co., Ltd. and Hubei Hechuyuan Commercial Co., Ltd. meet the conditions for small low-profit enterprises and the actual tax rate for 2017 is 10%.

Note 6 Notes to significant elements of the financial statements

Unless otherwise stated (incl. notes to significant elements of the financial statements is), the current year is 2017; the prior year is 2016 respectively.

6.1 Monetary funds

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---|--------------------------|--------------------------|
| Cash in hand | 369,197.41 | 323,885.02 |
| Bank deposit | 1,440,617,397.53 | 527,379,498.81 |
| Other monetary fund | 43,102,031.46 | 5,205,642.24 |
| Total | 1,484,088,626.40 | 532,909,026.07 |
| Including: The total amount of deposit abroad | 0.00 | 0.00 |

Note: CNY 450 million of the bank deposit was structured time deposit as at 31/12/2017, which will expire in May 2018 and cannot be withdrawn before the expiration date. CNY 10 million of other monetary funds were restricted due to pledging for opening bank acceptance as at 31/12/2017. There was no other restriction on the use of money due to mortgages, pledges, etc. as at the reporting date; there was no restriction on cross-border remittance of cash deposited in banks outside of China.

6.2 Financial assets measured by fair value with changes in fair value recognized in profit or loss

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--|--------------------------|--------------------------|
| Held for trading financial assets | 99,800.76 | 429,190.68 |
| Including: invest in equity instrument | 99,800.76 | 429,190.68 |
| Total | 99,800.76 | 429,190.68 |

6.3 Notes receivable

6.3.1 Disclosure by classification

| Classification | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|----------------|--------------------------|--------------------------|
|----------------|--------------------------|--------------------------|

| Classification | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|-----------------|--------------------------|--------------------------|
| Bank acceptance | 720,611,126.78 | 534,386,586.59 |
| Total | 720,611,126.78 | 534,386,586.59 |

6.3.2 Pledged notes receivable at the end of the current year

Pledged notes receivable as at 31/12/2017 amounted to CNY 3 million.

6.3.3 Immature notes receivable transferred at the end of the current year

| Item | Amount derecognized as at 31/12/2017 | Amount not derecognized as at 31/12/2017 |
|-----------------|--------------------------------------|--|
| Bank acceptance | 292,167,559.60 | 0.00 |
| Total | 292,167,559.60 | 0.00 |

6.4 Accounts receivable

6.4.1 Disclosure by classification

| Items | Balance as at 31/12/2017 | | | | |
|--|--------------------------|------------|------------------------|------------|---------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Accounts receivable of individual significance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts receivable portfolio subject to impairment by credit risk: | 23,800,576.11 | 100.00 | 1,334,433.05 | 5.61 | 22,466,143.06 |
| Accounts receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 23,800,576.11 | 100.00 | 1,334,433.05 | 5.61 | 22,466,143.06 |

(Continued)

| Items | Balance as at 31/12/2016 | | | | |
|--|--------------------------|------------|------------------------|------------|---------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Accounts receivable of individual significance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts receivable portfolio subject to impairment by credit risk: | 14,155,948.37 | 100.00 | 1,868,685.49 | 13.20 | 12,287,262.88 |
| Accounts receivable of individually | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Items | Balance as at 31/12/2016 | | | | |
|--|--------------------------|------------|------------------------|------------|---------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| insignificance subject to individually assessment for impairment | | | | | |
| Total | 14,155,948.37 | 100.00 | 1,868,685.49 | 13.20 | 12,287,262.88 |

Disclosure by age:

| Age | Balance as at 31/12/2017 | | |
|----------------------------|--------------------------|------------------------|------------|
| | Carrying amount | Allowance for bad debt | % of total |
| Within 1 year | 22,582,302.32 | 269,783.94 | 1.19 |
| Including: within 6 months | 21,483,488.72 | 214,843.26 | 1.00 |
| 7– 12 months | 1,098,813.60 | 54,940.68 | 5.00 |
| 1-2years | 83,959.72 | 8,395.97 | 10.00 |
| 2-3years | 156,121.87 | 78,060.94 | 50.00 |
| Over3years | 978,192.20 | 978,192.20 | 100.00 |
| Total | 23,800,576.11 | 1,334,433.05 | 5.61 |

6.4.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the year is CNY 534,252.44.

6.4.3 Accounts receivable written off during the current reporting period.

Accounts receivable written off during the current reporting period amounted to CNY 2,040.00.

6.4.4 Details of top five accounts receivable

The total amount of top five accounts receivables summarised by debtors as at the end of the current year is CNY 7,648,361.99, accounting for 32.14% of the total accounts receivable as at the end of current year, the total corresponding allowance for bad debts is CNY373,538.27.

6.5 Advances to suppliers

6.5.1 Disclosure by age

| Age | Balance as at 31/12/2017 | | Balance as at 31/12/2016 | |
|-----|--------------------------|------------|--------------------------|------------|
| | Amount | % of total | Amount | % of total |

| Age | Balance as at 31/12/2017 | | Balance as at 31/12/2016 | |
|---------------|--------------------------|------------|--------------------------|------------|
| | Amount | % of total | Amount | % of total |
| Within 1 year | 40,817,554.03 | 97.81 | 73,928,796.23 | 98.86 |
| 1 to 2 years | 82,115.23 | 0.20 | 853,434.06 | 1.14 |
| 2 to 3 years | 828,648.08 | 1.99 | 1,991.30 | 0.00 |
| Over 3 years | 1,320.00 | 0.00 | 0.00 | 0.00 |
| Total | 41,729,637.34 | 100.00 | 74,784,221.59 | 100.00 |

6.5.2 Details of top five advances to suppliers

The total amount of top five advances to suppliers as at the end of the current year is CNY 32,951,885.34, accounting for 78.97% of the total advance to suppliers.

6.6 Interest receivables

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--------------------------------|--------------------------|--------------------------|
| Interests on certified savings | 13,883,178.08 | 2,843,178.08 |
| Total | 13,883,178.08 | 2,843,178.08 |

6.7 Other receivables

6.7.1 Disclosure by classification

| Items | Balance as at 31/12/2017 | | | | |
|---|--------------------------|------------|------------------------|------------|---------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Other receivable of individual significance subject to individually assessment for impairment | 40,850,949.35 | 71.04 | 40,850,949.35 | 100.00 | 0.00 |
| Other receivable portfolio subject to impairment by credit risk: | 16,651,396.91 | 28.96 | 1,261,290.77 | 7.57 | 15,390,106.14 |
| Other receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 57,502,346.26 | 100.00 | 42,112,240.12 | 73.24 | 15,390,106.14 |

(Continued)

| Items | Balance as at 31/12/2016 | | | | |
|-------|--------------------------|------------|------------------------|------------|------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |

| Items | Balance as at 31/12/2016 | | | | |
|---|--------------------------|------------|------------------------|------------|---------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Other receivable of individual significance subject to individually assessment for impairment | 41,342,938.53 | 78.14 | 41,342,938.53 | 100.00 | 0.00 |
| Other receivable portfolio subject to impairment by credit risk: | 11,564,231.44 | 21.86 | 798,834.41 | 6.91 | 10,765,397.03 |
| Other receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 52,907,169.97 | 100.00 | 42,141,772.94 | 79.65 | 10,765,397.03 |

6.7.1.1 Other receivables of individual significance and subject to individual impairment assessment

| Debtor | Balance as at 31/12/2017 | | | |
|---------------------|--------------------------|------------------------|-----------------------|---|
| | Carrying amount | Allowance for bad debt | Rate of Allowance (%) | Reason for allowance |
| Hengxin Securities | 29,010,449.35 | 29,010,449.35 | 100.00 | Enterprise is in the proceeding of liquidation bankruptcy |
| Jianqiao Securities | 11,840,500.00 | 11,840,500.00 | 100.00 | Enterprise is in the proceeding Of liquidation bankruptcy |
| Total | 40,850,949.35 | 40,850,949.35 | 100.00 | |

6.7.1.2 Other receivables using the age analysis method for measurement of impairment allowances

| Age | Balance as at 31/12/2017 | | |
|----------------------------|--------------------------|------------------------|-----------------------|
| | Carrying amount | Allowance for bad debt | Rate of Allowance (%) |
| Within 1 year | 15,205,900.53 | 215,559.92 | 1.42 |
| Including: within 6 months | 13,618,377.87 | 136,183.79 | 1.00 |
| 7-12 months | 1,587,522.66 | 79,376.13 | 5.00 |
| 1-2 years | 391,499.72 | 39,149.97 | 10.00 |
| 2-3 years | 94,831.57 | 47,415.79 | 50.00 |
| Over 3years | 959,165.09 | 959,165.09 | 100.00 |
| Total | 16,651,396.91 | 1,261,290.77 | 7.57 |

6.7.2 Recognition, recovery and reversal of allowance for bad debt

The amount of reversal of allowance for bad debt was CNY 29,532.82 in the current year. Other receivables amounting to CNY 491,989.18, which was fully accrued for bad debts allowance in the previous period, has been collected during the current year.

6.7.3 Other receivable written off in the current year

Other receivable written off in the current year amounted to CNY 6,345.00.

6.7.4 The classification of other receivables

| Nature | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--|--------------------------|--------------------------|
| Investment in securities | 40,850,949.35 | 41,342,938.53 |
| Deposit and guarantee | 4,593,198.69 | 1,457,444.95 |
| Loan for business trip | 2,088,800.78 | 2,024,382.20 |
| Rent and water, electric and gas expense | 6,241,851.35 | 4,242,987.61 |
| Others | 3,727,546.09 | 3,839,416.68 |
| Total | 57,502,346.26 | 52,907,169.97 |

6.7.5 Details of top five other receivables

| Debtor | Relationships | Nature | Carrying amount | Age | % of the total amount | Allowance balance at the year-end |
|--------|-------------------|--------------------------|-----------------|-----------------|-----------------------|-----------------------------------|
| 1st | Non-related party | Investment in securities | 29,010,449.35 | Over 3 years | 50.45 | 29,010,449.35 |
| 2nd | Non-related party | Investment in securities | 11,840,500.00 | Over 3 years | 20.59 | 11,840,500.00 |
| 3rd | Non-related party | Prepaid for oil fee | 4,153,997.54 | Within 6 months | 7.22 | 41,539.98 |
| 4th | Non-related party | Deposit | 500,000.00 | Within 6 months | 0.87 | 5,000.00 |
| 5th | Non-related party | Others | 200,000.00 | Within 6 months | 0.35 | 2,000.00 |
| Total | | | 45,704,946.89 | | 79.48 | 40,899,489.33 |

6.8 Inventories

6.8.1 Disclosure by classification

| Items | Balance as at 31/12/2017 |
|-------|--------------------------|
|-------|--------------------------|

| | Carrying amount before impairment allowance | Impairment allowance | Net carrying amount |
|------------------|--|----------------------|---------------------|
| Raw material | 132,151,695.59 | 17,029,623.45 | 115,122,072.14 |
| Work in progress | 1,705,396,599.74 | 0.00 | 1,705,396,599.74 |
| Finished goods | 258,007,338.23 | 14,395,712.60 | 243,611,625.63 |
| Total | 2,095,555,633.56 | 31,425,336.05 | 2,064,130,297.51 |

(Continued)

| Items | Balance as at 31/12/2016 | | |
|------------------|--|----------------------|---------------------|
| | Carrying amount before impairment allowance | Impairment allowance | Net carrying amount |
| Raw material | 122,173,639.41 | 8,897,753.50 | 113,275,885.91 |
| Work in progress | 1,426,282,016.97 | 0.00 | 1,426,282,016.97 |
| Finished goods | 255,258,344.54 | 8,383,210.92 | 246,875,133.62 |
| Total | 1,803,714,000.92 | 17,280,964.42 | 1,786,433,036.50 |

6.8.2 Impairment allowance for inventories

| Items | Balance as at 31/12/2016 | Increase in the current year | | The decrease in the current year | | Balance as at 31/12/2017 |
|----------------|--------------------------|------------------------------|-------|----------------------------------|-------|--------------------------|
| | | Accrual | Other | Recovered or Written off | Other | |
| Raw material | 8,897,753.50 | 9,383,716.68 | 0.00 | 1,251,846.73 | 0.00 | 17,029,623.45 |
| Finished goods | 8,383,210.92 | 13,871,930.41 | 0.00 | 7,859,428.73 | 0.00 | 14,395,712.60 |
| Total | 17,280,964.42 | 23,255,647.09 | 0.00 | 9,111,275.46 | 0.00 | 31,425,336.05 |

6.8.3 Reason for impairment recognition and reversal or written-off

| Items | The basis of recognition of impairment allowance for inventories | The reason for recovering impairment allowance for inventories | The reasons for inventory impairment written-off at the current year |
|----------------|---|--|--|
| Raw material | Market prices decrease, and resulting in raw material's a net realizable value lower than the cost | | Raw materials impaired have been disposed |
| Finished goods | Market prices decrease, and resulting in Finished goods' net realizable a value lower than the cost | | Finished goods impaired have been disposed |

6.9 Other current assets

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--------------------|--------------------------|--------------------------|
| Financial products | 1,741,000,000.00 | 1,750,000,000.00 |
| Deductible tax | 31,310,946.58 | 278,829.24 |
| Total | 1,772,310,946.58 | 1,750,278,829.24 |

6.10 Available-for-sale financial assets

6.10.1 The situation of available-for-sale financial assets

| Items | Balance as at 31/12/2017 | | | Balance as at 31/12/2016 | | |
|---------------------------------------|--------------------------|------------|---------------------|--------------------------|------------|---------------------|
| | Carrying amount | Impairment | Net carrying amount | Carrying amount | Impairment | Net carrying amount |
| Available for sale equity instruments | 517,086,347.91 | 0.00 | 517,086,347.91 | 404,029,552.27 | 0.00 | 404,029,552.27 |
| Including: measured by fair value | 517,086,347.91 | 0.00 | 517,086,347.91 | 404,029,552.27 | 0.00 | 404,029,552.27 |
| Measured by cost | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 517,086,347.91 | 0.00 | 517,086,347.91 | 404,029,552.27 | 0.00 | 404,029,552.27 |

6.10.2 The available for sale financial asset which is measured by fair value at the year end

| Classification of the available for sale financial asset | Equity instrument available for sale | Debt instrument available for sale | Total |
|--|--------------------------------------|------------------------------------|----------------|
| The cost of the equity instrument or the amortized cost of the debt instrument | 445,725,244.63 | 0.00 | 445,725,244.63 |
| Fair value | 517,086,347.91 | 0.00 | 517,086,347.91 |
| The amount of the fair value change recognized into comprehensive income | 71,361,103.28 | 0.00 | 71,361,103.28 |
| Impairment allowance | 0.00 | 0.00 | 0.00 |

6.11 Investment property

| Items | Houses and buildings | Land use rights | Total |
|------------------------------------|----------------------|-----------------|---------------|
| 1. Cost: | | | |
| 1.1 Balance as at 31/12/2016 | 12,952,376.16 | 2,644,592.00 | 15,596,968.16 |
| 1.2 Increased in current year | 0.00 | 0.00 | 0.00 |
| 1.3 Decreased in current year | 4,271,820.41 | 0.00 | 4,271,820.41 |
| 1.3.1 Reclassified to fixed assets | 369,880.00 | 0.00 | 369,880.00 |
| 1.3.2 Other transfer out | 3,901,940.41 | 0.00 | 3,901,940.41 |

| Items | Houses and buildings | Land use rights | Total |
|---|----------------------|-----------------|---------------|
| 1.4 Balance as at 31/12/2017 | 8,680,555.75 | 2,644,592.00 | 11,325,147.75 |
| 2. Accumulated Depreciation and accumulated amortization | | | |
| 2.1 Balance as at 31/12/2016 | 6,637,952.24 | 556,071.18 | 7,194,023.42 |
| 2.2 Increased in current year | 355,737.96 | 31,575.56 | 387,313.52 |
| 2.2.1 Accrual or amortization | 355,737.96 | 31,575.56 | 387,313.52 |
| 2.3 Decreased in current year | 1,599,966.52 | 0.00 | 1,599,966.52 |
| 2.3.1 Reclassified to fixed assets | 369,880.00 | 0.00 | 369,880.00 |
| 2.3.2 Other decrease | 1,230,086.52 | 0.00 | 1,230,086.52 |
| 2.4 Balance as at 31/12/2017 | 5,393,723.68 | 587,646.74 | 5,981,370.42 |
| 3. Impairment allowance | | | |
| 3.1 Balance as at 31/12/2016 | 0.00 | 0.00 | 0.00 |
| 3.2 Increased in current year | 0.00 | 0.00 | 0.00 |
| 3.2.1 Accrual | 0.00 | 0.00 | 0.00 |
| 3.3 Decreased in current year | 0.00 | 0.00 | 0.00 |
| 3.3.1 Reclassified to fixed assets | 0.00 | 0.00 | 0.00 |
| 3.3.2 Other transfer out | 0.00 | 0.00 | 0.00 |
| 3.4 Balance as at 31/12/2017 | 0.00 | 0.00 | 0.00 |
| 4. Carrying amount | | | |
| 4.1 Carrying amount as at 31/12/2017 | 3,286,832.07 | 2,056,945.26 | 5,343,777.33 |
| 4.2 Carrying amount as at 31/12/2016 | 6,314,423.92 | 2,088,520.82 | 8,402,944.74 |

6.12 Fixed assets

6.12.1 Circumstance of fixed assets

| Items | Houses and buildings | Machinery | Vehicles | Office equipment and other | Total |
|-------------------------------|-------------------------|----------------|---------------|-------------------------------|------------------|
| 1. Cost: | | | | | |
| 1.1 Balance as at 31/12/2016 | 1,955,039,777.18 | 843,041,079.32 | 59,543,178.48 | 119,895,314.76 | 2,977,519,349.74 |
| 1.2 Increased in current year | 48,679,220.85 | 78,318,066.59 | 8,715,747.80 | 5,095,581.23 | 140,808,616.47 |

| Items | Houses and buildings | Machinery | Vehicles | Office equipment and other | Total |
|---|----------------------|----------------|---------------|----------------------------|------------------|
| 1.2.1 Purchase | 0.00 | 14,012,526.29 | 8,715,747.80 | 3,646,969.50 | 26,375,243.59 |
| 1.2.2 Transferred from construction in-progress | 48,309,340.85 | 64,305,540.30 | 0.00 | 1,448,611.73 | 114,063,492.88 |
| 1.2.3 Recovered from rental housing | 369,880.00 | 0.00 | 0.00 | 0.00 | 369,880.00 |
| 1.3 Decreased in current year | 9,612,994.23 | 35,489,029.68 | 4,268,392.29 | 5,753,115.62 | 55,123,531.82 |
| 1.3.1 Disposal or scrap | 9,612,994.23 | 35,489,029.68 | 4,268,392.29 | 5,753,115.62 | 55,123,531.82 |
| 1.4 Balance as at 31/12/2017 | 1,994,106,003.80 | 885,870,116.23 | 63,990,533.99 | 119,237,780.37 | 3,063,204,434.39 |
| 2. Accumulated Depreciation | | | | | |
| 2.1 Balance as at 31/12/2016 | 593,976,445.86 | 377,613,615.97 | 48,351,168.56 | 85,841,214.33 | 1,105,782,444.72 |
| 2.2 Increased in current year | 84,159,965.39 | 90,551,346.57 | 5,631,713.52 | 10,114,743.66 | 190,457,769.14 |
| 2.2.1 Accrual | 83,790,085.39 | 90,551,346.57 | 5,631,713.52 | 10,114,743.66 | 190,087,889.14 |
| 2.2.2 Recovered from rental housing | 369,880.00 | 0.00 | 0.00 | 0.00 | 369,880.00 |
| 2.3 Decreased in current year | 5,006,124.92 | 27,104,005.62 | 3,929,577.22 | 5,597,811.72 | 41,637,519.48 |
| 2.3.1 Disposal or scrap | 5,006,124.92 | 27,104,005.62 | 3,929,577.22 | 5,597,811.72 | 41,637,519.48 |
| 2.4 Balance as at 31/12/2017 | 673,130,286.33 | 441,060,956.92 | 50,053,304.86 | 90,358,146.27 | 1,254,602,694.38 |
| 3. Impairment allowance | | | | | |
| 3.1 Balance as at 31/12/2016 | 4,192,270.86 | 1,265,656.39 | 7,047.07 | 580,345.64 | 6,045,319.96 |
| 3.2 Increased in current year | 2,873,640.36 | 7,973,563.13 | 0.00 | 6,694.98 | 10,853,898.47 |
| 3.2.1 Accrual | 2,873,640.36 | 7,973,563.13 | 0.00 | 6,694.98 | 10,853,898.47 |
| 3.3 Decreased in current year | 3,931.14 | 547,725.84 | 0.00 | 0.00 | 551,656.98 |
| 3.3.1 Disposal or scrap | 3,931.14 | 547,725.84 | 0.00 | 0.00 | 551,656.98 |
| 3.4 Balance as at 31/12/2017 | 7,061,980.08 | 8,691,493.68 | 7,047.07 | 587,040.62 | 16,347,561.45 |
| 4. Carrying amount | | | | | |
| 4.1 Carrying amount as at 31/12/2017 | 1,313,913,737.39 | 436,117,665.63 | 13,930,182.06 | 28,292,593.48 | 1,792,254,178.56 |
| 4.2 Carrying amount as at 31/12/2016 | 1,356,871,060.46 | 464,161,806.96 | 11,184,962.85 | 33,473,754.79 | 1,865,691,585.06 |

6.12.2 Temporarily idle fixed assets

| Item | Carrying value | Depreciation | Impairment | Book value | Notes |
|----------------------------|----------------|---------------|---------------|------------|-------|
| Houses and buildings | 25,978,573.52 | 18,489,149.85 | 7,061,980.08 | 427,443.59 | |
| Machineries | 20,615,597.79 | 11,480,398.74 | 8,691,493.68 | 443,705.37 | |
| Vehicles | 58,119.66 | 49,329.00 | 7,047.07 | 1,743.59 | |
| Office equipment and other | 900,605.02 | 286,559.74 | 587,040.62 | 27,004.66 | |
| Total | 47,552,895.99 | 30,305,437.33 | 16,347,561.45 | 899,897.21 | |

6.12.3 Fixed assets with pending ownership registration

| Item | Book value | The reason for pending ownership registration |
|----------------------|----------------|---|
| Houses and buildings | 824,084,270.46 | In the process |
| Total | 824,084,270.46 | |

6.13 Construction in progress

6.13.1 Details of construction in progress

| Items | Balance as at 31/12/2017 | | | Balance as at 31/12/2016 | | |
|---|---|----------------------|---------------------|---|----------------------|---------------------|
| | Carrying amount before impairment allowance | impairment allowance | Net carrying amount | Carrying amount before impairment allowance | impairment allowance | Net carrying amount |
| Based liquor relocation of the transformation and facilities projects | 0.00 | 0.00 | 0.00 | 903,846.31 | 0.00 | 903,846.31 |
| Gujing operating network system | 5,272,286.37 | 0.00 | 5,272,286.37 | 4,932,008.56 | 0.00 | 4,932,008.56 |
| Information integration system | 0.00 | 0.00 | 0.00 | 2,828,626.03 | 0.00 | 2,828,626.03 |
| Renovation project of potential safety concerns | 20,643,371.11 | 0.00 | 20,643,371.11 | 47,819,516.27 | 0.00 | 47,819,516.27 |
| Wine culture museum remold | 0.00 | 0.00 | 0.00 | 4,449,398.37 | 0.00 | 4,449,398.37 |
| Xianning Huanghelou 2700t filling depot project | 0.00 | 0.00 | 0.00 | 1,785,629.19 | 0.00 | 1,785,629.19 |
| Hefei experience | 0.00 | 0.00 | 0.00 | 2,822,179.84 | 0.00 | 2,822,179.84 |

| Items | Balance as at 31/12/2017 | | | Balance as at 31/12/2016 | | |
|---|---|-------------------------|---------------------|---|-------------------------|------------------------|
| | Carrying amount before impairment allowance | impairment allowance | Net carrying amount | Carrying amount before impairment allowance | impairment allowance | Net carrying amount |
| Centre design and integration project | | | | | | |
| Process pipeline and Gujing mixing and storage automatic control system | 0.00 | 0.00 | 0.00 | 1,133,754.23 | 0.00 | 1,133,754.23 |
| Sewage solution station advanced treatment renovation project | 3,634,231.28 | 0.00 | 3,634,231.28 | 0.00 | 0.00 | 0.00 |
| Huanghelou chateau and museum | 2,726,775.89 | 0.00 | 2,726,775.89 | 0.00 | 0.00 | 0.00 |
| Glass company technological improvement project | 0.00 | 0.00 | 0.00 | 21,359.22 | 0.00 | 21,359.22 |
| Machine installment | 1,096,197.71 | 0.00 | 1,096,197.71 | 0.00 | 0.00 | 0.00 |
| Gujing 2 nd CRM system | 1,876,678.16 | 0.00 | 1,876,678.16 | 0.00 | 0.00 | 0.00 |
| Plant outside raindrop and waste net improvement | 8,529,729.73 | 0.00 | 8,529,729.73 | 0.00 | 0.00 | 0.00 |
| BPM 2 nd project | 1,025,641.03 | 0.00 | 1,025,641.03 | 0.00 | 0.00 | 0.00 |
| Bengbu products exhibition Centre | 878,152.15 | 0.00 | 878,152.15 | 0.00 | 0.00 | 0.00 |
| Hangzhou experience Centre | 99,622.64 | 0.00 | 99,622.64 | 0.00 | 0.00 | 0.00 |
| Tianjin experience Centre | 113,207.55 | 0.00 | 113,207.55 | 0.00 | 0.00 | 0.00 |
| Brewing automatization technological improvement project | 113,207.55 | 0.00 | 113,207.55 | 0.00 | 0.00 | 0.00 |
| Gujing plant half-open wine cellar | 1,127,033.31 | 0.00 | 1,127,033.31 | 0.00 | 0.00 | 0.00 |

| Items | Balance as at 31/12/2017 | | | Balance as at 31/12/2016 | | |
|---|---|----------------------|---------------------|---|----------------------|---------------------|
| | Carrying amount before impairment allowance | impairment allowance | Net carrying amount | Carrying amount before impairment allowance | impairment allowance | Net carrying amount |
| Other individual project with insignificant amounts | 7,360,664.08 | 0.00 | 7,360,664.08 | 5,075,006.24 | 0.00 | 5,075,006.24 |
| Total | 54,496,798.56 | 0.00 | 54,496,798.56 | 71,771,324.26 | 0.00 | 71,771,324.26 |

6.13.2 Movement of significant construction in progress

| Items | Budgeted cost | Balance as at 31/12/2016 | Increase during the current reporting period | Transferred to fixed assets during the current reporting period | Other decreases during the current reporting period | Balance as at 31/12/2017 |
|---|---------------|--------------------------|--|---|---|--------------------------|
| Based liquor relocation of the transformation and facilities projects | 80,000.00 | 903,846.31 | 0.00 | 867,570.96 | 36,275.35 | 0.00 |
| Gujing operating network system | 835.00 | 4,932,008.56 | 1,024,038.49 | 0.00 | 683,760.68 | 5,272,286.37 |
| Information integration system | 600.00 | 2,828,626.03 | 37,511.69 | 0.00 | 2,866,137.72 | 0.00 |
| Renovation project of potential safety concerns | 18,010.76 | 47,819,516.27 | 11,896,167.66 | 39,072,312.82 | 0.00 | 20,643,371.11 |
| Wine culture museum remold | 690.00 | 4,449,398.37 | 144,988.15 | 4,594,386.52 | 0.00 | 0.00 |
| Xianning Huanghelou 2700t filling depot project | 899.83 | 1,785,629.19 | 4,766,947.55 | 6,552,576.74 | 0.00 | 0.00 |
| Hefei experience | 389.21 | 2,822,179.84 | 7,082.56 | 0.00 | 2,829,262.40 | 0.00 |

| Items | Budgeted cost | Balance as at 31/12/2016 | Increase during the current reporting period | Transferred to fixed assets during the current reporting period | Other decreases during the current reporting period | Balance as at 31/12/2017 |
|---|---------------|--------------------------|--|---|---|--------------------------|
| Centre design and integration project | | | | | | |
| Process pipeline and Gujing mixing and storage automatic control system | 438.83 | 1,133,754.23 | 2,616,887.86 | 3,750,642.09 | 0.00 | 0.00 |
| Multi-bacterial cultivation system | 151.00 | 0.00 | 1,273,504.28 | 1,273,504.28 | 0.00 | 0.00 |
| Sewage solution station advanced treatment renovation project | 611.54 | 0.00 | 3,634,231.28 | 0.00 | 0.00 | 3,634,231.28 |
| Huanghelou chateau and museum | 2,600.00 | 0.00 | 12,226,750.61 | 1,932,220.87 | 7,567,753.85 | 2,726,775.89 |
| Glass company technological improvement project | 2,291.63 | 21,359.22 | 24,737,821.79 | 24,759,181.01 | 0.00 | 0.00 |
| Machine installment | 280.00 | 0.00 | 1,096,197.71 | 0.00 | 0.00 | 1,096,197.71 |
| QR code online devices | 449.00 | 0.00 | 2,928,845.28 | 2,928,845.28 | 0.00 | 0.00 |
| Gujing 2nd CRM system | 230.00 | 0.00 | 2,002,891.75 | 0.00 | 126,213.59 | 1,876,678.16 |
| Desulfurization and denitration system | 1,136.00 | 0.00 | 9,254,358.97 | 9,254,358.97 | 0.00 | 0.00 |
| Plant outside | 1,052.00 | 0.00 | 8,529,729.73 | 0.00 | 0.00 | 8,529,729.73 |

| Items | Budgeted cost | Balance as at 31/12/2016 | Increase during the current reporting period | Transferred to fixed assets during the current reporting period | Other decreases during the current reporting period | Balance as at 31/12/2017 |
|--|---------------|--------------------------|--|---|---|--------------------------|
| raindrop and waste net improvement | | | | | | |
| BPM 2nd project | 260.00 | 0.00 | 1,025,641.03 | 0.00 | 0.00 | 1,025,641.03 |
| Bengbu products exhibition Centre | 210.00 | 0.00 | 878,152.15 | 0.00 | 0.00 | 878,152.15 |
| Hangzhou experience Centre | 700.00 | 0.00 | 99,622.64 | 0.00 | 0.00 | 99,622.64 |
| Tianjin experience Centre | 560.00 | 0.00 | 113,207.55 | 0.00 | 0.00 | 113,207.55 |
| Brewing automatization technological improvement project | 27,430.00 | 0.00 | 113,207.55 | 0.00 | 0.00 | 113,207.55 |
| Gujing plant half-open wine cellar | 10,991.65 | 0.00 | 1,127,033.31 | 0.00 | 0.00 | 1,127,033.31 |
| Other individual project with insignificant amounts | 5,404.77 | 5,075,006.24 | 27,914,580.91 | 19,077,893.34 | 6,551,029.73 | 7,360,664.08 |
| Total | — | 71,771,324.26 | 117,449,400.50 | 114,063,492.88 | 20,660,433.32 | 54,496,798.56 |

(Continued)

| Items | The weight of cost to date in budgeted cost | Stage of completion (%) | The cumulative amount of interest capitalized | Including interests capitalized during the current reporting period | Capitalization rate applicable to the current reporting period % | Financial resources |
|---|---|-------------------------|---|---|--|---------------------|
| Based liquor relocation of the transformation and facilities projects | 92.83 | 100.00 | | | | Owned fund |
| Gujing operating network system | 63.14 | 95.00 | | | | Owned fund |
| Information integration system | 47.77 | 100.00 | | | | Owned fund |
| The renovation project of potential safety concerns | 72.00 | 90.00 | | | | Owned fund |
| Wine culture museum remold | 67.00 | 100.00 | | | | Owned fund |
| Xianning Huanghelou 2700t filling depot project | 69.76 | 100.00 | | | | Owned fund |
| Hefei experience Centre design and integration project | 72.69 | 100.00 | | | | Owned fund |
| Process pipeline and Gujing mixing and storage automatic control system | 85.00 | 100.00 | | | | Owned fund |
| Multi-bacterial cultivation system | 84.11 | 100.00 | | | | Owned fund |
| Sewage solution station advanced treatment renovation project | 60.00 | 90.00 | | | | Owned fund |
| Huanghelou chateau and museum | 27.01 | 50.00 | | | | Owned fund |
| Glass company technological improvement project | 103.68 | 100.00 | | | | Owned fund |
| Machine installment | 39.15 | 95.00 | | | | Owned fund |
| QR code online devices | 65.00 | 100.00 | | | | Owned fund |
| Gujing 2 nd CRM system | 87.00 | 95.00 | | | | Owned fund |
| Desulfurization and denitration system | 81.00 | 100.00 | | | | Owned fund |
| Plant outside raindrop and waste net improvement | 81.00 | 90.00 | | | | Owned fund |
| BPM 2 nd project | 39.44 | 60.00 | | | | Owned fund |
| Bengbu products exhibition Centre | 41.82 | 80.00 | | | | Owned fund |
| Hangzhou experience center | 1.42 | 20.00 | | | | Owned fund |
| Tianjin experience center | 2.02 | 20.00 | | | | Owned fund |

| Items | The weight of cost to date in budgeted cost | Stage of completion (%) | The cumulative amount of interest capitalized | Including interests capitalized during the current reporting period | Capitalization rate applicable to the current reporting period % | Financial resources |
|--|---|-------------------------|---|---|--|---------------------|
| Brewing automatization technological improvement project | 0.05 | 1.00 | | | | Owned fund |
| Gujing plant half-open wine cellar | 1.03 | 30.00 | | | | Owned fund |
| Other individual projects with insignificant amounts | 61.04 | 80.00 | | | | Owned fund |
| Total | | | | | | |

6.14 Intangible assets

| Items | Land rights | Patents | Software | Trademark | Total |
|---|----------------|---------------|---------------|----------------|----------------|
| 1. Cost: | | | | | |
| 1.1 Balance as at 31/12/2016 | 628,279,302.56 | 45,866,942.63 | 10,058,954.96 | 169,116,600.00 | 853,321,800.15 |
| 1.2 Increased in current year | 0.00 | 22,523.56 | 6,557,879.49 | 0.00 | 6,580,403.05 |
| 1.2.1 Purchase | 0.00 | 22,523.56 | 848,974.34 | 0.00 | 871,497.90 |
| 1.2.2 Internal research and development | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1.2.3 Transferred from construction in progress | 0.00 | 0.00 | 5,708,905.15 | 0.00 | 5,708,905.15 |
| 1.3 Decreased in current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1.3.1 Disposal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1.4 Balance as at 31/12/2017 | 628,279,302.56 | 45,889,466.19 | 16,616,834.45 | 169,116,600.00 | 859,902,203.20 |
| 2. Accumulated | | | | | |

| Items | Land rights | Patents | Software | Trademark | Total |
|--------------------------------------|----------------|---------------|--------------|----------------|----------------|
| amortization | | | | | |
| 2.1 Balance as at 31/12/2016 | 102,006,461.48 | 45,714,910.47 | 4,915,899.12 | 0.00 | 152,637,271.07 |
| 2.2 Increased in current year | 13,280,158.89 | 6,603.50 | 2,246,353.95 | 350,373.12 | 15,883,489.46 |
| 2.2.1 Accrual | 13,280,158.89 | 6,603.50 | 2,246,353.95 | 350,373.12 | 15,883,489.46 |
| 2.3 Decreased in current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2.3.1 Disposal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2.4 Balance as at 31/12/2017 | 115,286,620.37 | 45,721,513.97 | 7,162,253.07 | 350,373.12 | 168,520,760.53 |
| 3. Impairment allowance | | | | | |
| 3.1 Balance as at 31/12/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3.2 Increased in current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3.2.1 Accrual | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3.3 Decreased in current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3.3.1 Disposal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3.4 Balance as at 31/12/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Carrying amount | | | | | |
| 4.1 Carrying amount as at 31/12/2017 | 512,992,682.19 | 167,952.22 | 9,454,581.38 | 168,766,226.88 | 691,381,442.67 |
| 4.2 Carrying amount as at 31/12/2016 | 526,272,841.08 | 152,032.16 | 5,143,055.84 | 169,116,600.00 | 700,684,529.08 |

6.15 Goodwill

| The name of the investee or the formation of goodwill | Balance as at 31/12/2016 | Increased in the current year | | Decreased in the current year | | Balance as at 31/12/2017 |
|---|--------------------------|-------------------------------|--------|-------------------------------|--------|--------------------------|
| | | Business combination | Others | Disposal | Others | |
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd. | 478,283,495.29 | 0.00 | 0.00 | 0.00 | 0.00 | 478,283,495.29 |
| Total | 478,283,495.29 | 0.00 | 0.00 | 0.00 | 0.00 | 478,283,495.29 |

Note: According to the actual financial data and budget information, the Company estimated net cash flow of the assets to determine the recoverable amount and according to the "Asset appraisal report" (Huaxin Zhonghe Pingbao Zi [2018] B1062 Hao) issued by Beijing Huaxin Public Assets Appraisal Co., Ltd. Shenzhen Branch, the future net cash flow is greater than the book value and there is no impairment of the goodwill.

6.16 Long-term deferred charge

| Items | Balance as at 31/12/2016 | Increase in the current year | Amortization for the current reporting period | Other decreases in current year | Balance as at 31/12/2017 | The reason for other decreases |
|--|--------------------------|------------------------------|---|---------------------------------|--------------------------|--------------------------------|
| Mold culture shelf and Mold culture bed | 1,395,010.07 | 0.00 | 1,101,816.70 | 0.00 | 293,193.37 | |
| Transformation of high - quality base liquor | 3,583,860.08 | 0.00 | 3,583,860.08 | 0.00 | 0.00 | |
| Wine library shelves | 845,341.88 | 0.00 | 563,561.28 | 0.00 | 281,780.60 | |
| Decoration works of exclusive Shop | 4,552,189.86 | 0.00 | 4,552,189.86 | 0.00 | 0.00 | |
| Decoration works of Beijing experience center | 19,757,703.37 | 0.00 | 2,463,695.24 | 198,860.92 | 17,095,147.21 | Book value adjustment |
| Relocation compensation of Beijing experience center | 10,125,000.00 | 0.00 | 1,500,000.00 | 0.00 | 8,625,000.00 | |
| Pottery jars storage | 15,060,486.86 | 0.00 | 4,407,960.08 | 0.00 | 10,652,526.78 | |
| Decoration works of spirits culture Museum | 610,434.11 | 0.00 | 430,889.44 | 0.00 | 179,544.67 | |

| Items | Balance as at 31/12/2016 | Increase in the current year | Amortization for the current reporting period | Other decreases in current year | Balance as at 31/12/2017 | The reason for other decreases |
|--|-----------------------------|---------------------------------|---|---------------------------------------|-----------------------------|--------------------------------------|
| Improvement project of Sewage Treatment Plant | 4,250,000.00 | 0.00 | 600,000.00 | 0.00 | 3,650,000.00 | |
| Green cost | 11,761,161.10 | 224,207.63 | 11,743,483.07 | 0.00 | 241,885.66 | |
| Potential safety hazard transformation | 2,417,801.09 | 0.00 | 1,611,867.48 | 0.00 | 805,933.61 | |
| Shenzhen experience center | 4,885,049.82 | 0.00 | 1,332,286.32 | 0.00 | 3,552,763.50 | |
| Other | 2,458,879.09 | 2,736,419.58 | 1,524,077.40 | 0.00 | 3,671,221.27 | |
| Winery landscape upgrade | 2,831,715.21 | 151,140.52 | 1,019,772.21 | 0.00 | 1,963,083.52 | |
| Zhengzhou experience Centre | 4,679,367.54 | 21,315.78 | 526,444.52 | 0.00 | 4,174,238.80 | |
| Shanghai experience Centre | 4,374,397.27 | 0.00 | 1,479,693.33 | 482,400.74 | 2,412,303.20 | Book value adjustment |
| Hefei experience Centre | 0.00 | 2,829,262.40 | 884,143.13 | 0.00 | 1,945,119.27 | |
| Fruits and vegetables liquor workshop improvement project | 0.00 | 1,418,968.91 | 393,814.59 | 0.00 | 1,025,154.32 | |
| Beijing experience center kitchen improvement project | 0.00 | 699,833.78 | 48,410.08 | 0.00 | 651,423.70 | |
| Beijing products exhibition and reception Centre improvement project | 0.00 | 450,450.45 | 0.00 | 0.00 | 450,450.45 | |
| Huanghelou chateau improvement project | 0.00 | 7,567,753.85 | 0.00 | 0.00 | 7,567,753.85 | |

| Items | Balance as at 31/12/2016 | Increase in the current year | Amortization for the current reporting period | Other decreases in current year | Balance as at 31/12/2017 | The reason for other decreases |
|-------|-----------------------------|---------------------------------|---|---------------------------------------|-----------------------------|--------------------------------------|
| Total | 93,588,397.35 | 16,099,352.90 | 39,767,964.81 | 681,261.66 | 69,238,523.78 | |

6.17 Deferred tax assets and deferred tax liabilities

6.17.1 Details of Recognized deferred tax assets

| Items | Balance as at 31/12/2017 | | Balance as at 31/12/2016 | |
|--|------------------------------------|---------------------|------------------------------------|---------------------|
| | Deductible temporary difference | Deferred tax assets | Deductible temporary difference | Deferred tax assets |
| Allowance for bad debt | 43,446,673.17 | 10,853,076.08 | 44,010,458.43 | 10,996,043.87 |
| Allowance for inventories impairment | 31,398,636.15 | 7,804,115.47 | 17,280,964.42 | 4,268,065.64 |
| Allowance for fixed assets impairment | 16,319,563.99 | 4,079,686.68 | 6,017,322.50 | 1,504,126.30 |
| Deferred income | 43,706,503.22 | 10,614,699.02 | 43,978,795.45 | 10,964,946.75 |
| Accrued expenses and discount | 170,866,990.79 | 42,716,747.69 | 241,487,812.54 | 60,371,953.14 |
| Recoverable tax loss | 36,422,859.63 | 9,100,740.51 | 74,310,846.55 | 18,577,711.64 |
| Non-realized internal profit | 8,947,215.47 | 2,236,803.87 | 3,886,999.22 | 971,749.81 |
| Carry over the payroll payables deductible during the next period | 19,804,188.04 | 4,751,608.42 | 0.00 | 0.00 |
| Total | 370,912,630.46 | 92,157,477.74 | 430,973,199.11 | 107,654,597.15 |

6.17.2 Details of Recognized deferred tax liabilities

| Items | Balance as at 31/12/2017 | | Balance as at 31/12/2016 | |
|---|------------------------------------|--------------------------|------------------------------------|--------------------------|
| | Deductible temporary difference | Deferred tax liabilities | Deductible temporary difference | Deferred tax liabilities |
| Changes in fair value of trading financial asset | 44,379.27 | 11,094.82 | 157,639.98 | 39,410.00 |
| Changes in fair value of available-for-sale financial assets | 71,361,103.28 | 17,840,275.82 | 48,192,637.29 | 12,048,159.32 |
| Difference in additional deduction of fixed assets | 7,851,477.60 | 1,962,869.40 | 11,629,445.21 | 2,907,361.30 |
| Appreciation of assets by business combination under non-common control | 399,859,463.44 | 99,964,865.86 | 409,168,287.60 | 102,292,071.90 |
| Total | 479,116,423.59 | 119,779,105.90 | 469,148,010.08 | 117,287,002.52 |

6.17.3 Unrecognized deferred tax assets

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|-------|--------------------------|--------------------------|
|-------|--------------------------|--------------------------|

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---------------------------------|--------------------------|--------------------------|
| Deductible temporary difference | 54,697.36 | 27,997.46 |
| Taxable temporary differences | 4,331,653.92 | 3,504,550.14 |
| Total | 4,386,351.28 | 3,532,547.60 |

6.17.4 The deductible losses of unrecognized deferred tax assets will be expired in the following year

| Year | Balance as at 31/12/2017 | Balance as at 31/12/2016 | Note |
|-----------|--------------------------|--------------------------|------|
| Year 2018 | 0.00 | 0.00 | |
| Year 2019 | 0.00 | 0.00 | |
| Year 2020 | 2,059,849.97 | 2,059,849.97 | |
| Year 2021 | 1,444,700.17 | 1,444,700.17 | |
| Year 2022 | 827,103.78 | 0.00 | |
| Total | 4,331,653.92 | 3,504,550.14 | |

6.18 Other non-current assets

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--|--------------------------|--------------------------|
| Large amount certified savings | 300,000,000.00 | 300,000,000.00 |
| Prepayments for equipment and properties | 17,910,214.56 | 982,000.00 |
| Total | 317,910,214.56 | 300,982,000.00 |

6.19 Notes payable

| Type | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|------------------|--------------------------|--------------------------|
| Bank acceptance | 200,750,000.00 | 11,270,000.00 |
| Trade acceptance | 0.00 | 28,583.00 |
| Total | 200,750,000.00 | 11,298,583.00 |

6.20 Accounts payable

6.20.1 Detail for accounts payable

| Item | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|-----------------------------------|--------------------------|--------------------------|
| Payment for Materials | 260,407,500.55 | 182,974,644.45 |
| For Constructions and equipment's | 89,176,879.87 | 101,736,100.57 |
| For Others | 86,030,659.41 | 56,261,621.19 |

| Item | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|-------|--------------------------|--------------------------|
| Total | 435,615,039.83 | 340,972,366.21 |

6.20.2 The details of significant accounts payable remaining unsettled for more than 1 year

| Reason(s) for unsettlement | Balance as at 31/12/2017 | Reason(s) for unsettlement |
|----------------------------|--------------------------|----------------------------|
| Company A | 2,252,093.02 | Residual project balance |
| Company B | 1,994,174.95 | Residual project balance |
| Company C | 1,090,000.00 | Residual equipment balance |
| Company D | 769,163.75 | Residual project balance |
| Company E | 577,691.84 | Residual project balance |
| Total | 6,683,123.56 | |

6.21 Advances from customers

| Item | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|-------------------|--------------------------|--------------------------|
| Payment for goods | 503,083,108.13 | 623,990,614.91 |
| Total | 503,083,108.13 | 623,990,614.91 |

6.22 Employment benefits payable

6.22.1 Disclosure by classification

| Items | Balance at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance at 31/12/2017 |
|---------------------------------------|-----------------------|----------------------------------|----------------------------------|-----------------------|
| 1. Short-term employee benefits | 287,527,410.11 | 1,387,944,900.74 | 1,304,013,108.41 | 371,459,202.44 |
| 2. Post-employment benefits | 499,725.98 | 78,272,125.14 | 77,857,039.19 | 914,811.93 |
| 3. Termination benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Other benefits due within one year | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 288,027,136.09 | 1,466,217,025.88 | 1,381,870,147.60 | 372,374,014.37 |

6.22.2 Disclosure by classification of short-term employee benefits

| Category | Balance at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance at 31/12/2017 |
|----------------------------------|-----------------------|----------------------------------|----------------------------------|-----------------------|
| 1. Wages, salaries and subsidies | 231,921,133.46 | 1,230,078,321.76 | 1,163,868,451.05 | 298,131,004.17 |
| 2. Employee welfare | 0.00 | 55,721,006.88 | 52,028,026.88 | 3,692,980.00 |
| 3. Social insurance: | 67,054.59 | 32,446,576.88 | 32,277,423.39 | 236,208.08 |

| Category | Balance at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance at 31/12/2017 |
|---|--------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Including: Medical insurance | 53,976.40 | 27,814,532.42 | 27,671,604.47 | 196,904.35 |
| Employment injury insurance | 6,704.27 | 2,460,272.70 | 2,446,907.10 | 20,069.87 |
| Maternity insurance | 6,373.92 | 2,171,771.76 | 2,158,911.82 | 19,233.86 |
| 4. Housing provident fund | 8,380,962.40 | 41,875,962.19 | 41,204,924.71 | 9,051,999.88 |
| 5. Labor union fee and employee education fee | 47,158,259.66 | 27,823,033.03 | 14,634,282.38 | 60,347,010.31 |
| 6. Short-term paid absence | 0.00 | 0.00 | 0.00 | 0.00 |
| 7. Short-term profit sharing plan | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 287,527,410.11 | 1,387,944,900.74 | 1,304,013,108.41 | 371,459,202.44 |

6.22.3 Disclosure by defined contribution plan

| Category | Balance at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance at 31/12/2017 |
|---------------------------|--------------------------|-------------------------------------|-------------------------------------|--------------------------|
| 1. Basic pension | 471,096.94 | 75,030,282.65 | 74,633,640.28 | 867,739.31 |
| 2. Unemployment insurance | 28,629.04 | 3,241,842.49 | 3,223,398.91 | 47,072.62 |
| Total | 499,725.98 | 78,272,125.14 | 77,857,039.19 | 914,811.93 |

6.23 Taxes and fees payable

| Tax (Fee) | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--|--------------------------|--------------------------|
| VAT | 78,832,243.10 | 118,133,291.16 |
| Consumption tax | 210,532,348.09 | 219,571,438.66 |
| Enterprise income tax | 92,299,563.98 | 94,273,743.45 |
| Personal income tax | 3,949,866.64 | 1,562,260.59 |
| Urban construction and maintenance tax | 11,904,195.78 | 19,129,378.01 |
| Stamp duty | 486,594.48 | 871,395.56 |
| Education surcharge | 11,127,386.19 | 18,650,757.21 |
| Others | 11,852,647.19 | 14,767,387.21 |
| Total | 420,984,845.45 | 486,959,651.85 |

6.24 Other payables

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---|--------------------------|--------------------------|
| Security deposit | 874,462,125.60 | 587,919,286.15 |
| Business trip borrowing | 702,716.60 | 2,207,592.61 |
| Guarantee | 12,061,326.71 | 10,478,503.90 |
| Personal housing provident fund paid by company | 9,051,999.88 | 8,380,962.40 |
| Unsettled discount | 54,471,463.99 | 0.00 |
| Others | 81,793,920.56 | 32,485,926.47 |
| Total | 1,032,543,553.34 | 641,472,271.53 |

6.25 Other current liabilities

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|-----------------|--------------------------|--------------------------|
| Accrued expense | 182,846,942.10 | 241,487,812.54 |
| Total | 182,846,942.10 | 241,487,812.54 |

6.26 Government grants

6.26.1 Government grants recognized initially in 2017

| Items | Amounts | Related to asset | | Related to income | | | | Is grant received |
|--|--------------|------------------|---------------------------|-------------------|-------------------------|----------------------|--------------------------|-------------------|
| | | Deferred income | Deduct assets' book value | Deferred income | Other gains and incomes | Non-operating income | Deduct costs or expenses | |
| Intelligent koji production research fund | 346,000.00 | 346,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | Yes |
| Food safety protection improvement grant | 1,000,000.00 | 1,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | Yes |
| Vital food isotopes authenticity key technique cooperation subsidy | 480,000.00 | 480,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | Yes |
| Atmosphere pollution | 3,889,000.00 | 3,889,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | Yes |

| Items | Amounts | Related to asset | | Related to income | | | | Is grant received |
|--|---------------|------------------|---------------------------|-------------------|-------------------------|----------------------|--------------------------|-------------------|
| | | Deferred income | Deduct assets' book value | Deferred income | Other gains and incomes | Non-operating income | Deduct costs or expenses | |
| prevention and management subsidy | | | | | | | | |
| Tax refund | 20,901,711.56 | 0.00 | 0.00 | 0.00 | 20,901,711.56 | 0.00 | 0.00 | Yes |
| Provincial level industrial design center and environmental friendly plant subsidy | 1,700,000.00 | 0.00 | 0.00 | 0.00 | 1,700,000.00 | 0.00 | 0.00 | Yes |
| Industry development subsidy | 1,500,000.00 | 0.00 | 0.00 | 0.00 | 1,500,000.00 | 0.00 | 0.00 | Yes |
| Scientific research subsidy | 1,201,200.00 | 0.00 | 0.00 | 0.00 | 1,201,200.00 | 0.00 | 0.00 | Yes |
| Stable employment subsidy | 677,123.00 | 0.00 | 0.00 | 0.00 | 677,123.00 | 0.00 | 0.00 | Yes |
| Patent subsidy | 147,080.00 | 0.00 | 0.00 | 0.00 | 147,080.00 | 0.00 | 0.00 | Yes |
| Exhibition subsidy | 108,440.00 | 0.00 | 0.00 | 0.00 | 108,440.00 | 0.00 | 0.00 | Yes |
| Product quality subsidy | 54,669.81 | 0.00 | 0.00 | 0.00 | 54,669.81 | 0.00 | 0.00 | Yes |
| Circular economy development leading fund | 100,000.00 | 0.00 | 0.00 | 0.00 | 100,000.00 | 0.00 | 0.00 | Yes |
| Unemployment subsidy | 43,100.00 | 0.00 | 0.00 | 0.00 | 43,100.00 | 0.00 | 0.00 | Yes |
| Employment subsidy | 59,500.00 | 0.00 | 0.00 | 0.00 | 59,500.00 | 0.00 | 0.00 | Yes |
| Export subsidy | 40,000.00 | 0.00 | 0.00 | 0.00 | 40,000.00 | 0.00 | 0.00 | Yes |
| Trademark | 200,000.00 | 0.00 | 0.00 | 0.00 | 200,000.00 | 0.00 | 0.00 | Yes |

| Items | Amounts | Related to asset | | Related to income | | | | Is grant received |
|---|---------------|------------------|---------------------------|-------------------|-------------------------|----------------------|--------------------------|-------------------|
| | | Deferred income | Deduct assets' book value | Deferred income | Other gains and incomes | Non-operating income | Deduct costs or expenses | |
| subsidy | | | | | | | | |
| High-tech enterprise recognition reward | 600,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 600,000.00 | 0.00 | Yes |
| Other reward | 937,851.79 | 0.00 | 0.00 | 0.00 | 0.00 | 937,851.79 | 0.00 | Yes |
| Total | 33,985,676.16 | 5,715,000.00 | 0.00 | 0.00 | 26,732,824.37 | 1,537,851.79 | 0.00 | — |

6.26.2 Government grants accounted in gains or loss

| Items | Related to asset or income | Other gains or incomes | Non-operating income | Deduct costs or expenses |
|--|----------------------------|------------------------|----------------------|--------------------------|
| Transferred from deferred income | Related to asset | 5,987,292.23 | 0.00 | 0.00 |
| Tax refund | Related to income | 20,901,711.56 | 0.00 | 0.00 |
| Provincial level industrial design center and environmental friendly plant subsidy | Related to income | 1,700,000.00 | 0.00 | 0.00 |
| Industry development subsidy | Related to income | 1,500,000.00 | 0.00 | 0.00 |
| Scientific research subsidy | Related to income | 1,201,200.00 | 0.00 | 0.00 |
| Stable employment subsidy | Related to income | 677,123.00 | 0.00 | 0.00 |
| Patent subsidy | Related to income | 147,080.00 | 0.00 | 0.00 |
| Exhibition subsidy | Related to income | 108,440.00 | 0.00 | 0.00 |
| Product quality subsidy | Related to income | 54,669.81 | 0.00 | 0.00 |
| Circular economy development leading fund | Related to income | 100,000.00 | 0.00 | 0.00 |
| Unemployment subsidy | Related to income | 43,100.00 | 0.00 | 0.00 |
| Employment subsidy | Related to income | 59,500.00 | 0.00 | 0.00 |
| Export subsidy | Related to income | 40,000.00 | 0.00 | 0.00 |
| Trademark subsidy | Related to income | 200,000.00 | 0.00 | 0.00 |
| High-tech enterprise recognition reward | Related to income | 0.00 | 600,000.00 | 0.00 |
| Other reward | Related to income | 0.00 | 937,851.79 | 0.00 |
| Total | — | 32,720,116.60 | 1,537,851.79 | 0.00 |

6.26.3 Government grants reversal

No government grants have been reversed during the year.

6.27 Deferred income

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance as at 31/12/2017 | Reasons |
|-------------------|-----------------------------|-------------------------------------|-------------------------------------|-----------------------------|---|
| Government grants | 43,978,795.45 | 5,715,000.00 | 5,987,292.23 | 43,706,503.22 | Receive government grants concerning assets |
| Total | 43,978,795.45 | 5,715,000.00 | 5,987,292.23 | 43,706,503.22 | — |

Involving government grants' project:

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | | | | Balance as at 31/12/2017 | Related to asset or income |
|---|-----------------------------|-------------------------------------|----------------------------------|---------------------------|--------------------------------|--------------------|-----------------------------|-------------------------------------|
| | | | Non-oper ating income | Other gains or incomes | Deduct costs or expenses | Other decreases | | |
| Wine production system technical transformation | 380,208.35 | 0.00 | 0.00 | 62,499.96 | 0.00 | 0.00 | 317,708.39 | Related to asset |
| Instrument subsidies | 1,433,250.00 | 0.00 | 0.00 | 220,500.00 | 0.00 | 0.00 | 1,212,750.00 | Related to asset |
| Intelligent solid brewing technology innovation project | 213,541.65 | 0.00 | 0.00 | 31,250.04 | 0.00 | 0.00 | 182,291.61 | Related to asset |
| Anhui province development of direct funds of service industry | 1,673,170.76 | 0.00 | 0.00 | 292,682.88 | 0.00 | 0.00 | 1,380,487.88 | Related to asset |
| Anhui province subsidies of innovative province construction capacity | 4,139,755.00 | 0.00 | 0.00 | 730,545.00 | 0.00 | 0.00 | 3,409,210.00 | Related to asset |

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | | | | Balance as at 31/12/2017 | Related to asset or income |
|---|-----------------------------|-------------------------------------|----------------------------------|---------------------------|--------------------------------|--------------------|-----------------------------|-------------------------------------|
| | | | Non-oper ating income | Other gains or incomes | Deduct costs or expenses | Other decreases | | |
| for independen t innovation | | | | | | | | |
| Energy efficiency renovation project for coal industrial boiler and glass furnace | 318,750.00 | 0.00 | 0.00 | 153,000.00 | 0.00 | 0.00 | 165,750.00 | Related to asset |
| Bozhou Logistics Center Project | 180,000.00 | 0.00 | 0.00 | 60,000.00 | 0.00 | 0.00 | 120,000.00 | Related to asset |
| Equipment subsidy | 1,232,943.71 | 0.00 | 0.00 | 367,775.08 | 0.00 | 0.00 | 865,168.63 | Related to asset |
| Finance subsidy for energy saving projects | 997,580.45 | 0.00 | 0.00 | 531,623.52 | 0.00 | 0.00 | 465,956.93 | Related to asset |
| Finance subsidy for technical reconstructi on | 1,484,373.94 | 0.00 | 0.00 | 534,221.52 | 0.00 | 0.00 | 950,152.42 | Related to asset |
| Within financial budget, Enterprise developme nt funds | 112,500.00 | 0.00 | 0.00 | 30,000.00 | 0.00 | 0.00 | 82,500.00 | Related to asset |
| IOT traceability system | 5,197,500.00 | 0.00 | 0.00 | 1,113,750.00 | 0.00 | 0.00 | 4,083,750.00 | Related to asset |

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | | | | Balance as at 31/12/2017 | Related to asset or income |
|--|-----------------------------|-------------------------------------|----------------------------------|---------------------------|--------------------------------|--------------------|-----------------------------|-------------------------------------|
| | | | Non-oper ating income | Other gains or incomes | Deduct costs or expenses | Other decreases | | |
| project | | | | | | | | |
| Rebate of land | 24,213,446.47 | 0.00 | 0.00 | 550,206.18 | 0.00 | 0.00 | 23,663,240.29 | Related to asset |
| Electric machine improveme nt for energy saving project | 687,500.12 | 0.00 | 0.00 | 137,499.96 | 0.00 | 0.00 | 550,000.16 | Related to asset |
| Blend and storage automation and online monitor on product quality | 546,875.00 | 0.00 | 0.00 | 93,750.00 | 0.00 | 0.00 | 453,125.00 | Related to asset |
| Subsidy for intelligent distillery yeast research | 217,400.00 | 346,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 563,400.00 | Related to asset |
| Gujing Zhangji wine tank optimizatio n upgrade project | 950,000.00 | 0.00 | 0.00 | 19,791.65 | 0.00 | 0.00 | 930,208.35 | Related to asset |
| Food quality improveme nt subsidy | 0.00 | 1,000,000.00 | 0.00 | 34,482.75 | 0.00 | 0.00 | 965,517.25 | Related to asset |
| Vital food isotopes authenticity key technique | 0.00 | 480,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 480,000.00 | Related to asset |

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | | | | Balance as at 31/12/2017 | Related to asset or income |
|--|--------------------------|----------------------------------|----------------------------------|------------------------|--------------------------|-----------------|--------------------------|----------------------------|
| | | | Non-operating income | Other gains or incomes | Deduct costs or expenses | Other decreases | | |
| cooperation subsidy | | | | | | | | |
| Atmosphere pollution prevention and management subsidy | 0.00 | 3,889,000.00 | 0.00 | 1,023,713.69 | 0.00 | 0.00 | 2,865,286.31 | Related to asset |
| Total | 43,978,795.45 | 5,715,000.00 | 0.00 | 5,987,292.23 | 0.00 | 0.00 | 43,706,503.22 | |

6.28 Share capital

| Items | Balance as at 31/12/2016 | Movements during the current reporting period (+/-) | | | | | Balance as at 31/12/2017 |
|--------------|--------------------------|---|-------------|--------------------------|--------|----------|--------------------------|
| | | Share issue | Bonus issue | Conversion from reserves | Others | Subtotal | |
| Total shares | 503,600,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 503,600,000.00 |

6.29 Capital reserves

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance as at 31/12/2017 |
|------------------------|--------------------------|----------------------------------|----------------------------------|--------------------------|
| Share premium | 1,262,552,456.05 | 0.00 | 0.00 | 1,262,552,456.05 |
| Other capital reserves | 32,853,136.20 | 0.00 | 0.00 | 32,853,136.20 |
| Total | 1,295,405,592.25 | 0.00 | 0.00 | 1,295,405,592.25 |

6.30 Other comprehensive income

| Items | Balance as at 31/12/2016 | Total amount in the current year | | | | | Balance as at 31/12/2017 |
|--|--------------------------|------------------------------------|---|--------------------------|--|---|--------------------------|
| | | The amount for the year before tax | Less: previously recognized in other comprehensive income transferred into profit or loss | Less: Income tax expense | After tax attributable to the parent company | After tax attributable to minority shareholders | |
| 1. Other comprehensive income that will not be | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Items | Balance as at 31/12/2016 | Total amount in the current year | | | | | Balance as at 31/12/2017 |
|---|--------------------------|------------------------------------|---|--------------------------|--|---|--------------------------|
| | | The amount for the year before tax | Less: previously recognized in other comprehensive income transferred into profit or loss | Less: Income tax expense | After tax attributable to the parent company | After tax attributable to minority shareholders | |
| reclassified into income or loss in the future | | | | | | | |
| 2. Other comprehensive income that will be reclassified into income or loss in the future | 36,144,477.95 | 23,168,465.99 | 0.00 | 5,792,116.50 | 17,376,349.49 | 0.00 | 53,520,827.44 |
| Including: fair value change of financial asset available for sale | 36,144,477.95 | 23,168,465.99 | 0.00 | 5,792,116.50 | 17,376,349.49 | 0.00 | 53,520,827.44 |
| Total of other comprehensive income | 36,144,477.95 | 23,168,465.99 | 0.00 | 5,792,116.50 | 17,376,349.49 | 0.00 | 53,520,827.44 |

6.31 Surplus reserves

| Items | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance as at 31/12/2017 |
|---------------------------|--------------------------|----------------------------------|----------------------------------|--------------------------|
| Statutory surplus reserve | 256,902,260.27 | 0.00 | 0.00 | 256,902,260.27 |
| Total | 256,902,260.27 | 0.00 | 0.00 | 256,902,260.27 |

Note: In accordance with the Company Laws and regulations in PRC, the statutory surplus reserve is accrued at 10 % of net profit of the Company until accumulated amount of such reserve balance reaches 50% of the Company's registered capital.

After the company draws the statutory surplus reserve, it may, upon a resolution made by the shareholders' meeting or the shareholders' assembly, draw a discretionary surplus reserve from the after-tax profits. Discretionary surplus reserve as approved by the shareholders in our shareholders' meeting can be used to make good previous years' losses or to increase the capital.

6.32 Retained earning

| Items | Current year | Prior year |
|--|------------------|------------------|
| Pre-adjustment balance brought forward | 3,503,069,053.49 | 2,723,798,990.11 |
| Total adjustment to retained earnings b/f (+, -) | 0.00 | 0.00 |
| Retained earnings b/f after adjustment | 3,503,069,053.49 | 2,723,798,990.11 |
| Add: Net profit attributable to shareholders of the parent | 1,148,740,644.93 | 829,630,063.38 |
| Less: Appropriation to statutory surplus reserve | 0.00 | 0.00 |
| Appropriation to discretionary surplus reserve | 0.00 | 0.00 |
| General reserve | 0.00 | 0.00 |
| Ordinary dividends declared | 302,160,000.00 | 50,360,000.00 |
| Ordinary dividends transformed into capital share | 0.00 | 0.00 |
| Balance carrying forward | 4,349,649,698.42 | 3,503,069,053.49 |

6.33 Operating revenues and costs

| Items | Current year | | Prior year | |
|----------------------------|--------------------|------------------|--------------------|------------------|
| | Operating revenues | Operating costs | Operating revenues | Operating costs |
| Principal operating income | 6,929,908,097.27 | 1,621,229,551.29 | 5,979,035,166.48 | 1,491,385,954.17 |
| Other operating income | 38,416,951.28 | 21,358,505.14 | 38,108,494.08 | 32,199,825.34 |
| Total | 6,968,325,048.55 | 1,642,588,056.43 | 6,017,143,660.56 | 1,523,585,779.51 |

6.34 Business tax and surcharges

| Items | Current year | Prior year |
|---|------------------|----------------|
| Consumption tax | 904,625,930.39 | 762,768,550.26 |
| Business tax | 0.00 | 1,287,301.81 |
| Urban maintenance and construction tax, Education surcharge | 188,715,125.64 | 165,783,127.78 |
| Urban land used tax | 12,397,015.39 | 8,708,036.38 |
| Property tax | 16,060,596.57 | 10,499,272.17 |
| Stamp duty | 6,940,758.86 | 3,831,107.79 |
| Other | 7,578,557.14 | 3,111,002.91 |
| Total | 1,136,317,983.99 | 955,988,399.10 |

Note: The provision standards for taxes and surcharges refer to Note 5 Taxation.

6.35 Sales expenses

| Items | Current year | Prior year |
|------------------------|------------------|------------------|
| Employment benefits | 364,764,051.91 | 262,525,597.79 |
| Travel | 90,182,846.13 | 74,878,606.52 |
| Advertisement | 584,523,553.79 | 465,688,890.38 |
| Transportation charges | 46,746,599.61 | 32,209,900.34 |
| Sales promotion costs | 542,052,053.59 | 602,532,363.04 |
| Sample wine | 129,458,526.79 | 226,433,506.70 |
| Service fee | 332,660,815.27 | 235,762,832.21 |
| Other sales expenses | 79,692,936.45 | 80,095,680.91 |
| Total | 2,170,081,383.54 | 1,980,127,377.89 |

6.36 General and administrative expenses

| Items | Current year | Prior year |
|-----------------------------------|----------------|----------------|
| Employment benefits | 342,535,848.64 | 316,223,141.03 |
| Office fees | 21,662,534.77 | 13,542,347.24 |
| Taxes and surcharges | 0.00 | 16,703,686.11 |
| Maintenance expenses | 60,554,699.33 | 27,222,700.92 |
| Depreciation | 58,681,460.39 | 56,518,251.81 |
| Amortization of intangible assets | 15,883,489.46 | 12,184,283.42 |
| Pollution discharge | 10,242,055.85 | 8,262,877.02 |
| Spillage of material | 4,496,941.03 | 36,189,753.39 |
| Travel expenses | 2,350,858.72 | 2,313,349.72 |
| Water and electricity charges | 10,126,700.40 | 9,409,893.23 |
| Others | 77,018,370.51 | 57,943,324.10 |
| Total | 603,552,959.10 | 556,513,607.99 |

6.37 Financial costs

| Items | Current year | Prior year |
|-----------------------|---------------|---------------|
| Interest expenses | 0.00 | 915,880.51 |
| Less: Interest income | 30,406,069.89 | 32,844,024.42 |

| Items | Current year | Prior year |
|-----------------------|----------------|----------------|
| Exchange gain or loss | 406,630.04 | 87,679.59 |
| Others | 4,072,154.03 | 1,586,496.99 |
| Total | -25,927,285.82 | -30,253,967.33 |

6.38 Impairment loss on assets

| Items | Current year | Prior year |
|---------------------------------------|---------------|---------------|
| Allowance for bad debt | -555,400.26 | -578,339.94 |
| Allowance for inventory impairment | 23,255,647.09 | 11,457,765.17 |
| Allowance for fixed assets impairment | 10,853,898.47 | 740,928.75 |
| Total | 33,554,145.30 | 11,620,353.98 |

6.39 Gain from changes in fair value

| Source of fair value change | Current year | Prior year |
|---|--------------|------------|
| Financial assets measured by fair value with changes in fair value recognized in profit or loss | -113,260.71 | -5,598.43 |
| Including: Derivative financial assets | 0.00 | 0.00 |
| Total | -113,260.71 | -5,598.43 |

6.40 Investment income

| Items | Current year | Prior year |
|--|----------------|---------------|
| Investment income from disposal of financial assets measured by fair value with changes in fair value recognized in profit or loss | 3,782,651.28 | 15,987,963.26 |
| Investment income from available for sale financial asset during the holding period | 87,735,460.11 | 78,724,727.77 |
| Investment income from disposal of financial assets available for sale | 50,875,246.87 | 281,592.14 |
| Other | 11,040,000.00 | 2,843,178.08 |
| Total | 153,433,358.26 | 97,837,461.25 |

6.41 Asset disposal income

| Items | Current year | Prior year | Recognized into current year non-recurring profit and loss |
|-------|--------------|------------|--|
|-------|--------------|------------|--|

| Items | Current year | Prior year | Recognized into current year non-recurring profit and loss |
|-------------------------------|--------------|------------|--|
| Gain on fixed asset disposals | 254,763.27 | 345,705.61 | 254,763.27 |
| Total | 254,763.27 | 345,705.61 | 254,763.27 |

6.42 Other gains and incomes

| Items | Current year | Prior year | Recognized into current year non-recurring profit and loss |
|---|---------------|------------|--|
| Government grants related to operating activities | 32,720,116.60 | 0.00 | 32,720,116.60 |
| Total | 32,720,116.60 | 0.00 | 32,720,116.60 |

6.43 Non-operating income

| Items | Current year | Prior year | Recognized into current year non-recurring profit and loss |
|---|---------------|---------------|--|
| Gain on non-current asset disposals | 93,990.84 | 75,158.98 | 93,990.84 |
| Government grants related to non-operating activities | 1,537,851.79 | 25,336,275.56 | 1,537,851.79 |
| Income from penalties | 18,975,266.00 | 3,699,832.32 | 18,975,266.00 |
| Sales of wastes | 7,220,268.09 | 5,262,867.74 | 7,220,268.09 |
| Accounts payable no need to pay back | 195,283.04 | 376,663.74 | 195,283.04 |
| Others | 2,118,638.39 | 6,818,442.51 | 2,118,638.39 |
| Total | 30,141,298.15 | 41,569,240.85 | 30,141,298.15 |

6.44 Non-operating expenses

| Items | Current year | Prior year | Recognized in current year non-recurring profit and loss |
|-------------------------------------|---------------|--------------|--|
| Loss on non-current asset disposals | 11,007,817.56 | 6,740,484.31 | 11,007,817.56 |
| Others | 1,369,000.22 | 1,814,150.36 | 1,369,000.22 |
| Total | 12,376,817.78 | 8,554,634.67 | 12,376,817.78 |

6.45 Income tax expenses

6.45.1 Classification

| Items | Current year | Prior year |
|-------------|----------------|----------------|
| Current tax | 414,788,420.05 | 331,596,712.46 |

| Items | Current year | Prior year |
|--------------|----------------|----------------|
| Deferred tax | 12,197,106.29 | -31,160,525.95 |
| Total | 426,985,526.34 | 300,436,186.51 |

6.45.2 The adjustment process of accounting profit and income tax expenses

| Items | Current year |
|--|------------------|
| Profit before tax | 1,612,217,263.80 |
| According to the statutory/applicable tax rate calculation of the income tax expenses | 403,054,315.95 |
| Influence of different tax rates of subsidiaries | -4,498,270.19 |
| The effect of adjustment prior period income tax | 10,466,911.82 |
| The influence of the untaxable income | -799,844.51 |
| The influence of the undeduction of costs, expenses, and losses | 22,034,071.92 |
| The influence of using the preliminary period deductible losses of unconfirmed deferred income tax assets | 0.00 |
| The influence of the unconfirmed deferred income tax assets attributable to the temporary deductible difference or deductible losses | 213,450.92 |
| Tax rate adjustment to the beginning balance of deferred income tax assets/liabilities | 0.00 |
| Income tax credits | 0.00 |
| Collectively deductions | -3,485,109.57 |
| Income tax expenses | 426,985,526.34 |

6.46 Other comprehensive income

Please see Note 6.30 for detail.

6.47 Notes to the statement of cash flows

6.47.1 Other cash received relating to operating activities

| Items | Current year | Prior year |
|--------------------------------------|----------------|----------------|
| Guarantee deposit | 332,307,988.61 | 238,706,509.48 |
| Government grants | 7,368,964.60 | 4,491,635.43 |
| Interest income | 30,406,069.89 | 32,844,024.42 |
| Release of restricted monetary funds | 5,060,000.00 | 51,945,425.70 |

| Items | Current year | Prior year |
|--------|----------------|----------------|
| Others | 34,921,023.48 | 17,801,895.54 |
| Total | 410,064,046.58 | 345,789,490.57 |

6.47.2 Other cash payments relating to operating activities

| Items | Current year | Prior year |
|--|------------------|------------------|
| Cash paid in sales expenses and general and administrative expense | 1,423,094,520.43 | 1,275,520,798.23 |
| To issue notes payable and the pledge of deposit or store paper margin | 10,000,000.00 | 0.00 |
| Certificate of deposit | 450,000,000.00 | 0.00 |
| Others | 5,441,154.25 | 2,117,428.76 |
| Total | 1,888,535,674.68 | 1,277,638,226.99 |

6.47.3 Other cash received relating to investing activities

| Items | Current year | Prior year |
|-------------------------------------|--------------|--------------|
| Government grants related to assets | 5,715,000.00 | 2,481,400.00 |
| Total | 5,715,000.00 | 2,481,400.00 |

6.47.4 Other cash payments relating to financing activities

| Items | Current year | Prior year |
|---|--------------|----------------|
| Repayment of the minority shareholder funds | 0.00 | 104,376,537.45 |
| Total | 0.00 | 104,376,537.45 |

6.48 Supplementary information to the statement of cash flows

6.48.1 Reconciliation of cash flows from operating activities to net profit

| Items | Current year | Prior year |
|---|------------------|----------------|
| ① Reconciliation of cash flows from operating activities to net profit: | | |
| Net profit | 1,185,231,737.46 | 850,318,097.52 |
| Add: Loss on asset impairment | 33,554,145.30 | 11,620,353.98 |

| Items | Current year | Prior year |
|---|-----------------------|-------------------------|
| Depreciation of fixed assets, oil and gas assets, biological assets held for production | 190,087,889.14 | 180,217,082.24 |
| Amortization of Investment properties | 387,313.52 | 904,199.67 |
| Amortization of intangible assets | 15,883,489.46 | 12,184,283.42 |
| Amortization of Long-term deferred expenditure | 39,767,964.81 | 52,748,063.21 |
| Loss on non-current assets disposal (gain presented by "-" prefix) | -254,763.27 | -345,705.61 |
| Loss on scrap of fixed assets (gain presented by "-" prefix) | 10,913,826.72 | 6,665,325.33 |
| Loss on fair value changes (gain presented by "-" prefix) | 113,260.71 | 5,598.43 |
| Financial costs (gain presented by "-" prefix) | 0.00 | 915,880.51 |
| Investment loss (gain presented by "-" prefix) | -153,433,358.26 | -97,837,461.25 |
| Decrease of deferred tax assets (increase presented by "-" prefix) | 15,497,119.41 | -30,599,267.22 |
| Increase of deferred tax liabilities (increase presented by "-" prefix) | -3,300,013.12 | -561,258.73 |
| Decrease of inventories (increase presented by "-" prefix) | -291,841,632.64 | -148,841,752.05 |
| Decrease of operating receivables (increase presented by "-" prefix) | -204,643,428.43 | 98,273,049.63 |
| Increase of operating payables (decrease presented by "-" prefix) | 548,938,454.20 | 252,191,237.86 |
| Amortization of deferred income | -5,987,292.23 | -4,625,918.88 |
| Certificate of deposit | -450,000,000.00 | 0.00 |
| Net cash flows generated from operating activities | 930,914,712.78 | 1,183,231,808.06 |
| ② Significant investing and financing activities involve no cash: | | |
| Debt-to-capital conversion | 0.00 | 0.00 |
| Convertible loan due within one year | 0.00 | 0.00 |
| Fixed assets acquired under financial lease | 0.00 | 0.00 |
| ③ Movement of cash and cash equivalents: | | |
| Cash as at 31/12/2017 | 1,024,088,626.40 | 527,849,026.07 |
| Less: Cash as at 1/1/2017 | 527,849,026.07 | 1,040,373,733.07 |
| Add: Cash equivalents as at 31/12/2017 | 0.00 | 0.00 |
| Less: Cash equivalents as at 1/1/2017 | 0.00 | 0.00 |
| Net increase of cash and cash equivalents | 496,239,600.33 | -512,524,707.00 |

6.48.2 Composition of cash and cash equivalents

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---------------|--------------------------|--------------------------|
| ① Cash | 1,024,088,626.40 | 527,849,026.07 |

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--|--------------------------|--------------------------|
| Including: Cash at hand | 369,197.41 | 323,885.02 |
| Demand bank deposit | 990,617,397.53 | 527,379,498.81 |
| Demand other monetary funds | 33,102,031.46 | 145,642.24 |
| ② Cash equivalents | 0.00 | 0.00 |
| Including: Debt instrument matured within three months | 0.00 | 0.00 |
| ③ Cash and cash equivalents as at 31/12/2017 | 1,024,088,626.40 | 527,849,026.07 |

6.48.3 Trade acceptance endorsement not involved in cash receipts and disbursements

| Items | Amounts |
|---|----------------|
| Amounts of trade acceptance endorsement | 786,483,103.13 |
| Within: paying goods | 779,733,724.75 |
| Paying long-term assets | 6,749,378.38 |

6.49 The assets whose ownership or usages are restricted

| Items | Book value at 12/31/2017 | Reasons for restrictions |
|---------------------|--------------------------|---|
| Bank deposit | 450,000,000.00 | Structured time deposit which cannot be withdrawn in advance and will expire after 3 months |
| Other monetary fund | 10,000,000.00 | Bank deposit receipt pledged for opening bank acceptance |
| Notes receivable | 3,000,000.00 | Pledged |
| Total | 463,000,000.00 | |

Note 7 Changes of the scope of consolidated financial statements

Consolidation scope change because of other reasons

The company set up subsidiary Anhui Runanxinke Testing Tech. Co., Ltd., Suizhou Junhe Commercial Co., Ltd., and Hubei Hechuyuan Commercial Co., Ltd. in 2017. The subsidiary Bozhou Gujing Sales Co., Ltd. is liquidated during 2017.

Note 8 Interest in other entities

8.1 Interest in subsidiaries

8.1.1 The construction of the group

| Subsidiaries | Place of operation | Place of registration | Nature of business | Holding proportion % | | Acquired method |
|--|--------------------|-----------------------|--------------------|----------------------|------------|-----------------|
| | | | | Directly | Indirectly | |
| Bozhou Gujing Sales Co., Ltd. (hereafter Gujing Sales) | Anhui Bozhou | Anhui Bozhou | Commercial trade | 100.00 | | Set up |

| Subsidiaries | Place of operation | Place of registration | Nature of business | Holding proportion % | | Acquired method |
|---|--------------------|-----------------------|-------------------------|----------------------|------------|---|
| | | | | Directly | Indirectly | |
| Bozhou Gujing Transportation Co., Ltd. (hereafter Gujing Transportation) | Anhui Bozhou | Anhui Bozhou | Motor transport | 99.00 | 1.00 | Set up |
| Anhui Longrui Glass Co., Ltd (hereafter Longrui Glass) | Anhui Bozhou | Anhui Bozhou | Manufacture | 100.00 | | Set up |
| Bozhou Gujing Waste Reclamation Co., Ltd. (hereafter Gujing Waste) | Anhui Bozhou | Anhui Bozhou | Waste recycle | 100.00 | | Set up |
| Anhui Jinyunlai Culture & Media Co.,Ltd. (hereafter Jinyunlai) | Anhui Hefei | Anhui Hefei | Advertisement marketing | 100.00 | | Set up |
| Anhui Ruisiweier Technology Co., Ltd. | Anhui Bozhou | Anhui Bozhou | Technical research | 100.00 | | Set up |
| Anhui colorful taste wine co., Ltd. | Anhui Bozhou | Anhui Bozhou | Manufacture | 100.00 | | Set up |
| Shanghai Gujing Jinhao hotel management company | Shanghai | Shanghai | Hotel management | 100.00 | | Bussiness Combinations Under the Same control |
| Bozhou Gujing hotel Co.Ltd | Anhui Bozhou | Anhui Bozhou | Hotel operating | 100.00 | | Bussiness Combinations Under the Same control |
| Anhui Yuanqing environmental protection Co., Ltd. | Anhui Bozhou | Anhui Bozhou | Sewage treatment | 100.00 | | Set up |
| Anhui Gujing Yunshang Electronic Commerce Co., Ltd | Anhui Hefei | Anhui Hefei | Electronic commerce | 100.00 | | Set up |
| Anhui Zhenrui Construction Engineering Co., Ltd | Anhui Bozhou | Anhui Bozhou | Construction | 100.00 | | Set up |
| Bozhou Gujing Distillery Marketing Co., Ltd (Note) | Anhui Bozhou | Anhui Bozhou | Commercial trade | | 100.00 | Set up |
| Anhui RunanxinkeTesting Tech. Co., Ltd. | Anhui Bozhou | Anhui Bozhou | Food testing | 100.00 | | Set up |
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd | Hubei Wuhan | Hubei Wuhan | Manufacture | 51.00 | | Bussiness Combinations Not Under the Same control |
| Tianlong Yellow Crane Tower Wine Xianning Co., Ltd | Hubei Xianning | Hubei Xianning | Manufacture | | 51.00 | Bussiness Combinations Not Under the Same control |
| Hubei Yellow Crane Tower Wine Co., Ltd | Hubei Suizhou | Hubei Suizhou | Manufacture | | 51.00 | Bussiness Combinations Not Under the Same |

| Subsidiaries | Place of operation | Place of registration | Nature of business | Holding proportion % | | Acquired method |
|--|--------------------|-----------------------|-------------------------|----------------------|------------|---|
| | | | | Directly | Indirectly | |
| | | | | | | control |
| Wuhan Tianlong Jindi Technology Development Co., Ltd | Hubei Wuhan | Hubei Wuhan | Commercial trade | | 51.00 | Bussiness Combinations Not Under the Same control |
| Xianning Junhe Sales Co., Ltd | Hubei Xianning | Hubei Xianning | Commercial trade | | 51.00 | Bussiness Combinations Not Under the Same control |
| Hubei Junhe Advertising Co., Ltd | Hubei Wuhan | Hubei Wuhan | Advertisement marketing | | 51.00 | Bussiness Combinations Not Under the Same control |
| Wuhan Yashibo Technology Co., Ltd. | Hubei Wuhan | Hubei Wuhan | Technology development | | 51.00 | Set up |
| Wuhan Junya Sales Co., Ltd | Hubei Wuhan | Hubei Wuhan | Commercial trade | | 51.00 | Set up |
| Suizhou Junhe Commercial Co., Ltd. | Hubei Suizhou | Hubei Suizhou | Commercial trade | | 51.00 | Set up |
| Hubei Hechuyuan Commercial Co., Ltd. | Hubei Wuhan | Hubei Wuhan | Commercial trade | | 51.00 | Set up |

Bozhou Gujing Sales Co., Ltd. has been canceled in August 2017.

8.1.2 Important partly-owned subsidiary

| Subsidiaries | Minority shareholders' holding portion (%) | Income or loss owned by minority shareholders | Dividend paid to minority shareholder | Minority shareholders' equity at 12/31/2017 |
|---|--|---|---------------------------------------|---|
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd | 49.00 | 36,491,092.53 | 0.00 | 382,100,628.33 |

8.1.3 Financial information of important partly-owned subsidiary

| Subsidiaries | Balance at 12/31/2017 | | | | | |
|---|-----------------------|--------------------|------------------|---------------------|-------------------------|-----------------------|
| | Current assets | Non-current assets | Assets subtotals | Current liabilities | Non-current liabilities | Liabilities subtotals |
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd | 441,615,299.44 | 678,572,840.91 | 1,120,188,140.35 | 239,818,614.70 | 100,576,052.97 | 340,394,667.67 |

(continued 1)

| Subsidiaries | Balance at 12/31/2016 | | | | | |
|--------------|-----------------------|--|--|--|--|--|
|--------------|-----------------------|--|--|--|--|--|

| | Current assets | Non-current assets | Assets subtotals | Current liabilities | Non-current liabilities | Liabilities subtotals |
|---|----------------|--------------------|------------------|---------------------|-------------------------|-----------------------|
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd | 319,617,437.13 | 707,535,352.08 | 1,027,152,789.21 | 218,599,711.57 | 103,227,494.37 | 321,827,205.94 |

(continued 2)

| Subsidiaries | Current year | | | | Last year | | | |
|---|------------------------|---------------|-------------------------------|--------------------------------------|------------------------|---------------|-------------------------------|--------------------------------------|
| | Revenue from operation | Net profit | Comprehensive income subtotal | Cash flows from operating activities | Revenue from operation | Net profit | Comprehensive income subtotal | Cash flows from operating activities |
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd | 689,103,629.96 | 74,467,889.41 | 74,467,889.41 | 107,890,980.94 | 495,203,161.34 | 45,629,218.23 | 45,629,218.23 | 177,917,462.58 |

Note 9 The risk associated with financial instruments

The main financial instruments of the Company include equity investments, financial products, trust investment, accounts receivable, accounts payable etc., please see Note 6 for detail of related items. The risk associated with financial instruments, and risk management policies which the company use to reduce these risks are described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range.

9.1 The targets and policies of risks management

The target of risks management is to obtain the proper balance between the risks and benefits, to reduce the negative impact that is caused by the risk of the Company to the lowest level, and to maximize the benefits of shareholders and other equity investors. Based on the targets of risk management, the basic strategy of the Company's risk management is to identify and analyze the risks which are faced by the Company, establish suitable risk tolerance baseline and proceed the risk management, and supervise a variety of risks timely and reliably, and control the risk within a limited range.

9.1.1 Market Risk

9.1.1.1 Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations generally. The core business of the company is on the mainland of China and trading with RMB; the

market risk is very small

9.1.1.2 Interest rate risk - the risk of changes in cash flow

The operating fund of the company is sufficient, and there is no loan in recent years so that the risk of interest is very small for the company.

9.1.1.3 Other price risk

The financial asset available for sale and financial asset for the trading of the company is measured by fair value. So, the company bears the risk of the change of security market. To decrease the risk, the management decided that the company held a combination of several equities and securities.

9.1.2. Credit Risk

The maximum risk exposure that could cause the Company's financial losses is associated with the default by the other party of a transaction and the financial guarantee provided by the Company as at 31 December 2017. The detail is listed below:

The carrying value of the financial assets that is recognized in the consolidated financial statement. For the financial instrument measured by fair value, the carrying value only represents the risk exposure, but the maximum risk exposure will change with the future fair value.

The company only trade with an authorized company with high credit record and large scale. According to the policies of the company, the client needs to pay first then receive the goods. Only a few companies are provided with credit. A credit review is performed for customers trading with credit.

The current asset of the company is deposited in the bank with the high credit record. So, the credit risk of the current asset is low

9.1.3 Liquidity risk

When managing liquidity risk, the Company maintains and monitors adequate cash and cash equivalents decided by the management to meet the needs of operation of the Company, and to reduce the impact of fluctuations in cash flows.

Note 10 Disclosure of the fair value

10.1 The fair value at the end of the current year of assets and liabilities which are measured by fair value

| Items | The fair value at the end of the current year |
|-------|---|
|-------|---|

| | The first level measured by fair value | The second level measured by fair value | The third level measured by fair value | Total |
|---|---|---|--|----------------|
| 1. Continuous measurement at fair value | | | | |
| 1.1 The financial assets are measured by fair value, and the changes are recognized into current profit or loss | 99,800.76 | | | 99,800.76 |
| 1.1.1 Trading financial assets | 99,800.76 | | | 99,800.76 |
| Equity instruments investment | 99,800.76 | | | 99,800.76 |
| 1.2 Financial asset available for sale | 517,086,347.91 | | | 517,086,347.91 |
| Equity instruments investment | 517,086,347.91 | | | 517,086,347.91 |
| The total amount of liabilities continuous measurement by fair value | 517,186,148.67 | | | 517,186,148.67 |

10.2 Determined on the basis of continuous first level for fair value measurement of the market of project

The sustaining fair value measurement project is the stock that publicly traded on Shanghai stock exchange or Shenzhen stock exchange, and the price is confirmed based on the stock's closing price on the balance sheet date. If the holdings of shares in a restricted period, in accordance with the securities and futures commission as stated in the KUAIJI ZI [2007] 21 HAO related valuation method to determine the value.

Note 11 Related parties and related party transaction

11.1 Details of the parent

| Parents | Relationship | Nature of business | Registered capital | Shareholding in the Company % | Voting right in the Company % |
|--------------|--------------|---|--------------------|-------------------------------|-------------------------------|
| Gujing Group | Anhui | Drink, building materials, manufacture plastic products | 1,000,000,000.00 | 53.89 | 53.89 |

Note: The ultimate controller is the government of Bozhou, Anhui province.

11.2 Subsidiaries

See Note 8.1 The equity in subsidiaries for details.

11.3 Details of other related parties

| Other related parties | Relationship |
|---|---|
| Anhui Ruifuxiang Food Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Ruijing catering management Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Haochidian Catering Co., Ltd. | An affiliate of the actual controller and controlling shareholder |

| Other related parties | Relationship |
|---|---|
| Shanghai Ruiyao Hotel Management Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Shanghai Beihai Hotel Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Ruijing Business Travel (Group) Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Bozhou Hotel Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Gujing Real Estate Group Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Orient Ruijing Enterprise Investment Development Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Hengxin Pawn Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Bozhou Ruineng Thermal Power Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Hefei Gujing Holiday Hotel Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Bozhou Furuixiang high protein feed Co. Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Ruijing restaurant management Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Ruixin pawn Co. Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Zhongxin finance lease Co. Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Huixin finance invest group Co.Ltd. | An affiliate of the actual controller and controlling shareholder |
| Hefei Longxin Financial Management Consulting Co., Ltd | An affiliate of the actual controller and controlling shareholder |
| Bozhou Anxin Micro Finance Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Xinyuan Municipal Garden Engineering Co., Ltd | An affiliate of the actual controller and controlling shareholder |
| Anhui gujing hotel management Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Youxin Financing guarantee Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Aoxin Real estate development Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Lixin Electronic commerce Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Xinxin Property management Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Gujing Huishenglou Catering Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Bozhou Gujing Junlai Hotel Management Co.,Ltd | An affiliate of the actual controller and controlling shareholder |
| Anhui Gujing Property management Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Gujing Real estate development Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Gujing international tourism Co.,Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Jinzhai Gujing Real Estate Development Co., Ltd. | An affiliate of the actual controller and controlling shareholder |
| Anhui Shenglong Commercial Co., Ltd. | An affiliate of the actual controller and controlling shareholder |

11.4 Transactions with related parties

11.4.1 Transactions through purchase or sell goods and accept or supply services

11.4.1.1 The situation of purchases goods or accepts services

| Related parties | Content of transaction | Total amount of current year | Total amount of prior year |
|--|---|------------------------------|----------------------------|
| Anhui Ruifuxiang Food Co., Ltd | Purchase of material | 493,092.81 | 1,827,574.51 |
| Bozhou Hotel Co., Ltd. | Accept catering and accommodation service | 2,018,619.83 | 2,495,522.44 |
| Anhui Ruijing Catering management Co., Ltd | Accept catering | 99,367.00 | 65,282.00 |
| Anhui Xinyuan Municipal Garden Engineering Co., Ltd | Afforestation fees | 1,093,701.48 | 377,811.42 |
| Hefei Gujing Holiday Hotel | Purchase of goods | 304,673.12 | 608,321.93 |
| Hefei Gujing Holiday Hotel | Accept restaurant and hotel service | 131,153.05 | 33,317.89 |
| Anhui gujing hotel management Co.,Ltd. | Accept restaurant and hotel service | 185,363.53 | 210,415.00 |
| Bozhou Gujing Junlai Hotel Co.,Ltd | Accept restaurant and hotel service | 286,972.87 | 459,023.00 |
| Anhui Gujing Huishenglou Catering Co.,Ltd. | Accept restaurant and hotel service | 3,769,464.00 | 3,559,381.00 |
| Anhui Gujing international tourism Co.,Ltd. | Accept services | 520,850.00 | 0.00 |
| Anhui Haochidian Catering Co., Ltd. | Accept restaurant and hotel service | 40,058.55 | 0.00 |
| Anhui Huixin finance invest group Co.Ltd. | Accept services | 23,084.65 | 0.00 |
| Bozhou Gujing hotel Co.Ltd | Purchase commercial property | 11,900,000.00 | 0.00 |
| Anhui Jinzhai Gujing Real Estate Development Co., Ltd. | Purchase residential property | 574,026.00 | 0.00 |
| Total | | 21,440,426.89 | 9,636,649.19 |

11.4.1.2 The situation of sells goods or rendering services

| Related parties | Content of transaction | Total amount of current year | Total amount of prior year |
|--|--|------------------------------|----------------------------|
| Gujing Group | Sales of micro metrail | 192,012.84 | 62,081.16 |
| Gujing Group | Provide catering and accommodation service | 290,036.11 | 338,828.62 |
| Gujing Group | Provide labor | 24,794.28 | 0.00 |
| Gujing Group | Provide advertising service | 0.00 | 5,849.06 |
| Anhui Ruifuxiang Food Co., Ltd | Sales of distilled spirit | 676,130.30 | 362,589.75 |
| Anhui Ruifuxiang Food Co., Ltd | Provide labor | 94,727.84 | 0.00 |
| Bozhou Hotel Co., Ltd. | Sales of distilled spirit | 68,888.89 | 79,658.12 |
| Bozhou Gujing Hotel Co., Ltd. | Sales of distilled spirit | 47,532.12 | 30,094.36 |
| Anhui Gujing Real Estate Group Co., Ltd. | Sales of distilled spirit | 16,247.51 | 53,125.12 |

| Related parties | Content of transaction | Total amount of current year | Total amount of prior year |
|---|--|------------------------------|----------------------------|
| Anhui Gujing Real Estate Group Co., Ltd. | Provide advertising service | 0.00 | 28,301.88 |
| Anhui Gujing Real Estate Group Co., Ltd. | Provide catering and accommodation service | 456,621.63 | 0.00 |
| Anhui Ruijing catering Co., Ltd. | Sales of distilled spirit | 0.00 | 3,076.92 |
| Anhui Haochidian Catering Co., Ltd. | Sales of distilled spirit | 188,290.46 | 3,051.28 |
| Shanghai Ruiyao Hotel Management Co., Ltd. | Sales of distilled spirit | 4,307.69 | 4,461.54 |
| Shanghai Beihai Hotel Co., Ltd. | Sales of distilled spirit | 8,461.54 | 8,153.85 |
| Hefei Longxin Financial Management Consulting Co., Ltd. | Sales of distilled spirit | 12,463.21 | 6,923.08 |
| Bozhou Ruineng Thermal Power Co., Ltd. | Sales of distilled spirit | 247,953.41 | 168,252.32 |
| Bozhou Ruineng Thermal Power Co., Ltd. | Provide labor | 350,450.45 | 0.00 |
| Anhui Hengxin Pawn Co., Ltd. | Sales of distilled spirit | 12,347.57 | 9,300.51 |
| Bozhou Anxin Micro finance Co., Ltd. | Sales of distilled spirit | 12,166.39 | 7,081.03 |
| Bozhou Anxin Micro finance Co., Ltd. | Provide catering and accommodation service | 0.00 | 1,960.00 |
| Anhui Ruijing Business Travel (Group) Co., Ltd. | Sales of distilled spirit | 5,919,363.84 | 3,058,386.32 |
| Anhui Ruijing Business Travel (Group) Co., Ltd. | Provide catering and accommodation service | 8,909.05 | 5,500.00 |
| Anhui Xinyuan Municipal Garden Engineering Co., Ltd. | Sales of micro metrail | 16,040.56 | 5,461.03 |
| Anhui Xinyuan Municipal Garden Engineering Co., Ltd. | Sales of distilled spirit | 0.00 | 10,341.88 |
| Hefei Gujing Holiday Hotel Co., Ltd. | Sales of distilled spirit | 14,529.91 | 0.00 |
| Hefei Gujing Holiday Hotel Co., Ltd. | Provide catering and accommodation service | 0.00 | 4,369.31 |
| Anhui gujing hotel management Co., Ltd. | Sales of distilled spirit | 52,606.86 | 55,384.64 |
| Anhui Zhongxin finance lease Co. Ltd. | Provide catering and accommodation service | 0.00 | 3,000.00 |
| Anhui Zhongxin finance lease Co. Ltd. | Sales of distilled spirit | 11,411.71 | 7,157.96 |
| Anhui Ruixin pawn Co. Ltd. | Sales of distilled spirit | 11,030.50 | 27,363.09 |
| Anhui Huixin finance invest group Co. Ltd. | Sales of distilled spirit | 503,363.31 | 17,841.03 |
| Anhui Huixin finance invest group Co. Ltd. | Provide advertisement service | 4,009.43 | 0.00 |
| Bozhou Ruifuxiang high protein feed Co. Ltd. | Sales of distilled spirit | 35,036.69 | 23,641.03 |
| Anhui Youxin Financing guarantee Co., Ltd. | Sales of distilled spirit | 6,440.03 | 14,335.39 |
| Anhui Youxin Financing guarantee Co., Ltd. | Provide catering and | 0.00 | 580.00 |

| Related parties | Content of transaction | Total amount of current year | Total amount of prior year |
|---|--|------------------------------|----------------------------|
| | accommodation service | | |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | Sales of distilled spirit | 1,098,508.84 | 370,904.61 |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | Sales of micro metrail | 13,508.12 | 36,044.26 |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | Provide catering and accommodation service | 29,316.00 | 42,840.00 |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | Water and electricity fees | 147,838.04 | 62,374.00 |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | Provide labor | 19,739.23 | 0.00 |
| Anhui Aoxin Real estate development Co.,Ltd. | Sales of distilled spirit | 12,492.85 | 7,581.55 |
| Anhui Lixin Electronic commerce Co.,Ltd. | Sales of distilled spirit | 99,880.21 | 7,021.54 |
| Anhui Xinxin Property management Co.,Ltd. | Sales of distilled spirit | 38,974.52 | 31,998.97 |
| Anhui Gujing Huishenglou Catering Co.,Ltd. | Sales of distilled spirit | 41,076.92 | 26,794.87 |
| Anhui Gujing Huishenglou Catering Co.,Ltd. | Provide labor | 97,484.94 | 0.00 |
| Bozhou Gujing Junlai Hotel Co.,Ltd | Sales of distilled spirit | 11,230.76 | 5,076.92 |
| Bozhou Gujing Junlai Hotel Co.,Ltd | Provide labor | 146,227.41 | 0.00 |
| Anhui Gujing Property management Co.,Ltd. | Sales of distilled spirit | 63,959.72 | 43,230.77 |
| Anhui Gujing Real estate development Co.,Ltd. | Sales of distilled spirit | 40,046.85 | 95,537.44 |
| Anhui Gujing Real estate development Co.,Ltd. | Provide catering and accommodation service | 600.00 | 1,220.00 |
| Anhui Gujing international tourism Co.,Ltd. | Provide catering and accommodation service | 6,860.00 | 0.00 |
| Anhui Jinzhai Gujing Real Estate Development Co., Ltd. | Sales of distilled spirit | 1,056.40 | 0.00 |
| Anhui Shenglong Commercial Co., Ltd. | Sales of distilled spirit | 48,820.52 | 0.00 |
| Anhui Shenglong Commercial Co., Ltd. | Provide catering and accommodation service | 6,076.00 | 0.00 |
| Orient Ruijing Enterprise Investment Development Co., Ltd. | Provide labor | 201,390.13 | 0.00 |
| Total | | 11,411,261.59 | 5,136,775.21 |

11.4.2 Lease between related parties

11.4.2.1 The Company is as the Lessee

| lessor | Classification | Lease rental recognized in the current year | Lease rental recognized in the prior year |
|----------------------|-----------------------------|---|---|
| Gujing Group | Buildings and constructions | 2,190,476.20 | 2,190,476.25 |
| Bozhou Hotel Co.Ltd. | Buildings and constructions | 0.00 | 20,000.00 |

11.4.2.2 The Company is as the lessor

| Lessee | Classification | Lease rental recognized in the current year | Lease rental recognized in the prior year |
|--|-----------------------------|---|---|
| Anhui gujing hotel management Co.,Ltd. | Buildings and constructions | 492,380.96 | 347,402.13 |

11.4.3 Remuneration for key management personnel

| Item | Total amount of current year | Total amount of prior year |
|---|------------------------------|----------------------------|
| Remuneration for key management personnel | CNY 6.7827 million | CNY 5.5486 million |

11.5 The balance of payables and receivables among related parties

11.5.1 Receivables owed by related parties

| Related party | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---|--------------------------|--------------------------|
| Accounts receivable: | | |
| Anhui Ruifuxiang Food Co., Ltd. | 5,257.31 | 0.00 |
| Anhui Gujing Group Co., Ltd. | 2,250.00 | 0.00 |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | 3,860.00 | 0.00 |
| Total | 11,367.31 | 0.00 |
| Other payable: | | |
| Anhui Gujing Real Estate Group Co., Ltd. | 25,342.50 | 0.00 |
| Bozhou Ruineng Thermal Power Co., Ltd. | 19,450.00 | 0.00 |
| Total | 44,792.50 | 0.00 |

Note: The company has reclassified advances to suppliers to other non-current assets

11.5.2 Payables owed to related parties

| Related party | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---|--------------------------|--------------------------|
| Receivable in advance: | | |
| Anhui Ruijing Business Travel (Group) Co., Ltd. | 3,854,332.31 | 0.00 |
| Dazhongyuan Wine valley culture tourism development Co., Ltd. | 2,193,069.10 | 0.00 |

| Related party | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|---|--------------------------|--------------------------|
| Anhui Ruijing catering management Co., Ltd. | 0.00 | 599,136.01 |
| Bozhou Hotel Co., Ltd. | 0.00 | 36,000.00 |
| Bozhou Ruifuxiang high protein feed Co. Ltd. | 0.00 | 13,200.00 |
| Anhui Haochidian Catering Co., Ltd. | 0.00 | 115,200.00 |
| Anhui Ruifuxiang Food Co., Ltd. | 0.00 | 195,200.00 |
| Total | 6,047,401.41 | 958,736.01 |
| Other payable: | | |
| Anhui Gujing Huishenglou Catering Co.,Ltd. | 0.00 | 15,500.00 |
| Anhui Ruifuxiang Food Co., Ltd. | 6,726.00 | 0.00 |
| Anhui Ruijing Business Travel (Group) Co., Ltd. | 23,678.36 | 38,043.40 |
| Total | 30,404.36 | 53,543.40 |

Note 12 Commitments and contingencies

12.1 Important commitments

12.1.1 Operating lease commitments

Irrevocable lease contracts underperformance and their financial effects as at the end of current year.

| Items | Balance as at 31/12/2017 | Balance as at 31/12/2016 |
|--|--------------------------|--------------------------|
| The minimum lease payments of irrevocable operating lease contracts: | | |
| 1st year after the balance sheet date | 2,300,000.00 | 2,300,000.00 |
| 2nd year after the balance sheet date | 2,300,000.00 | 2,300,000.00 |
| 3rd year after the balance sheet date | 2,300,000.00 | 2,300,000.00 |
| Subsequent years | 21,658,333.33 | 23,958,333.33 |
| Total | 28,558,333.33 | 30,858,333.33 |

12.1.2 Performance commitment

According to the equity transfer agreement regarding the acquisition of Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd. (hereafter, Yellow Crane Tower Wine) between Wuhan Tianlong Investment Group Co., Ltd., the natural person YAN, Hongye and the Company,

the Company promised that the operating revenue of Yellow Crane Tower Wine would be no less than the following data (tax inclusive):

Unit: CNY thousand

| Year | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-----------|------------|------------|------------|------------|
| Promised operating revenue (Tax inclusive) | 80,500.00 | 100,625.00 | 130,812.50 | 170,056.25 | 204,067.50 |

Meanwhile, within five years after the delivery date (excluding the year in which the target stock is delivered), the net profit margin on sales of Yellow Crane Tower Wine (the actual net profit / operating revenue of Yellow Crane Tower Wine in the current year) shall be no less than 11% for each year. If the audited net profit margin on sales of Yellow Crane Tower Wine is less than 11% per annum, the Company shall compensate for the difference in accordance with the agreement. If the net profit margin on sales of Yellow Crane Tower Wine is less than 11% for consecutive two years, the transferor will have the right to repurchase all of the shares of Yellow Crane Tower held by the Company, and the repurchase price is CNY 816 million.

The achievement of performance commitment in the separate financial statements of Yellow Crane Tower Wine for the year 2017 is as follows:

Unit: CNY thousand

| Items | Actual number | Commitment number | Difference | Completion rate |
|----------------------------------|---------------|----------------------|------------|-----------------|
| Operating income (including tax) | 80,625.12 | 80,500.00 | 125.12 | 100.16% |
| Net profit | 8,144.95 | 7,568.38 | 576.57 | 107.62% |
| The net profit margin on sales | 11.82% | 11.00% | 0.82% | 107.45% |

12.2 Contingencies

12.2.1 Because of the infringement of the Company's trademark rights in the market, the Company filed lawsuits against the behavior of infringement. Since the claimed amounts are insignificant individually or in aggregate, it is not expected to have a significant impact on the Company.

12.2.2 Other than the above matters, the Company has no other contingencies.

Note 13 Post reporting date events

On 26 April 2018, the Company held 5th meeting of eighth session board of directors which approved profit distribution plan for the year of 2017. The company plans to use the

total share of 503,600,000.00 of the company at 31/12/2017 as a base, to distribute CNY 10.00 (before tax) for every 10 shares, and as a result to distribute CNY 503,600,000.00 to all shareholder. The profit distribution plan is pending for resolution by the shareholders' meeting.

Note 14 Other signification events

Operation division information

The company not confirmed the operation division in accordance with the internal organizational structure, management requirements, and internal reporting system so that there was no need to disclose division information report based on the operation division.

Note 15 Notes to the main elements of the separate financial statement of the Company

15.1 Accounts receivable

15.1.1 Disclosure by classification

| Items | Balance as at 31/12/2017 | | | | |
|--|--------------------------|------------|------------------------|------------|--------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Accounts receivable of individual significance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts receivable portfolio subject to impairment by credit risk | 9,168,249.97 | 100.00 | 658,331.94 | 7.18 | 8,509,918.03 |
| Accounts receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 9,168,249.97 | 100.00 | 658,331.94 | 7.18 | 8,509,918.03 |

(Continued)

| Items | Balance as at 31/12/2016 | | | | |
|--|--------------------------|------------|------------------------|------------|------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Accounts receivable of individual significance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Items | Balance as at 31/12/2016 | | | | |
|--|--------------------------|------------|------------------------|------------|--------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Accounts receivable portfolio subject to impairment by credit risk | 6,979,229.19 | 100.00 | 601,883.19 | 8.62 | 6,377,346.00 |
| Accounts receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 6,979,229.19 | 100.00 | 601,883.19 | 8.62 | 6,377,346.00 |

15.1.1.1 Accounts receivable using the age analysis method for measurement of allowance for bad debt

| Age | Balance as at 31/12/2017 | | |
|--------------------------|--------------------------|------------------------|------------|
| | Carrying amount | Allowance for bad debt | % of total |
| Within 1 year | 0.00 | 0.00 | 0.00 |
| Include: within 6 months | 0.00 | 0.00 | 0.00 |
| 7-12 months | 0.00 | 0.00 | 0.00 |
| 1 to 2 years | 0.00 | 0.00 | 0.00 |
| 2 to 3 years | 141,121.87 | 70,560.94 | 50.00 |
| Over 3 years | 587,771.00 | 587,771.00 | 100.00 |
| Total | 728,892.87 | 658,331.94 | 90.32 |

15.1.1.2 Accounts receivable using the other method for measurement of allowance for bad debt

| Items | Balance as at 31/12/2017 | | |
|-----------------|--------------------------|------------------------|------------|
| | Carrying amount | Allowance for bad debt | % of total |
| Related parties | 8,439,357.10 | 0.00 | 0.00 |
| Total | 8,439,357.10 | 0.00 | 0.00 |

15.1.2 Recognition, recovery and reversal of allowance for bad debt

Reversal of the allowance is CNY 56,448.75.

15.1.3 Accounts receivable written off during the current year

There are no accounts receivable written off during the current year.

15.1.4 Details of top five accounts receivable

The total amount of top five accounts receivables which are summarised by the balance as at the end of the current year is CNY7,728,588.52, accounting for 84.30% of the total accounts receivable balance as at the end of current year, the total amount of the corresponding allowance for bad debts is CNY 0.00.

15.2 Other receivable

15.2.1 Disclosure by classification

| Items | Balance as at 31/12/2017 | | | | |
|---|--------------------------|------------|------------------------|------------|----------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Other receivable of individual significance subject to individually assessment for impairment | 40,850,949.35 | 23.76 | 40,850,949.35 | 100.00 | 0.00 |
| Other receivable portfolio subject to impairment by credit risk | 131,103,824.99 | 76.24 | 746,046.24 | 0.57 | 130,357,778.75 |
| Other receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 171,954,774.34 | 100.00 | 41,596,995.59 | 24.19 | 130,357,778.75 |

(Continued)

| Items | Balance as at 31/21/2016 | | | | |
|---|--------------------------|------------|------------------------|------------|----------------|
| | Carrying amount | | Allowance for bad debt | | Book value |
| | Amount | % of total | Amount | % of total | |
| Other receivable of individual significance subject to individually assessment for impairment | 41,342,938.53 | 28.07 | 41,342,938.53 | 100.00 | 0.00 |
| Other receivable portfolio subject to impairment by credit risk | 105,925,699.86 | 71.93 | 410,793.52 | 0.39 | 105,514,906.34 |
| Other receivable of individually insignificance subject to individually assessment for impairment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 147,268,638.39 | 100.00 | 41,753,732.05 | 28.35 | 105,514,906.34 |

15.2.1.1 Other receivable of individual significance subject to individual assessment for impairment

| Other receivables | Balance as at 31/12/2017 |
|-------------------|--------------------------|
|-------------------|--------------------------|

| | Other receivable | Allowance | % of total | Reasons |
|---------------------|------------------|---------------|------------|-------------------------------|
| Hengxin securities | 29,010,449.35 | 29,010,449.35 | 100.00 | Company went through bankrupt |
| Jiaoqiao securities | 11,840,500.00 | 11,840,500.00 | 100.00 | Company went through bankrupt |
| Total | 40,850,949.35 | 40,850,949.35 | — | — |

15.2.1.2 Other receivables using the age analysis method for measurement of allowance for bad debt

| Age | Balance as at 31/12/2017 | | |
|--------------------------|--------------------------|------------------------|------------|
| | Carrying amount | Allowance for bad debt | % of total |
| Within 1 year | 2,017,219.81 | 53,208.16 | 2.64 |
| Include: within 6 months | 1,191,320.72 | 11,913.21 | 1.00 |
| 7 to 12 months | 825,899.09 | 41,294.95 | 5.00 |
| 1 to 2 years | 3,559.90 | 355.99 | 10.00 |
| 2 to 3 years | 0.00 | 0.00 | 0.00 |
| Over 3 years | 692,482.09 | 692,482.09 | 100.00 |
| Total | 2,713,261.80 | 746,046.24 | 27.50 |

15.2.1.3 Accounts receivable using the other method for measurement of allowance for bad debt

| Items | Balance as at 31/12/2017 | | |
|-----------------|--------------------------|------------------------|------------|
| | Carrying amount | Allowance for bad debt | % of total |
| Related parties | 128,390,563.19 | 0.00 | 0.00 |
| Total | 128,390,563.19 | 0.00 | 0.00 |

15.2.2 Recognition, recovery and reversal of allowance for bad debt

In 2017, allowance for bad debts were reversed by CNY 156,736.46. Other receivables amounting to CNY 491,989.18, which was fully accrued for bad debts allowance in the previous period, has been collected during the current year.

15.2.3 Accounts receivable written off during the current year

There has no other receivable written off during the current reporting period.

15.2.4 Classification of other receivable

| Nature | Balance at 31/12/2017 | Balance at 31/12/2016 |
|--------|-----------------------|-----------------------|
|--------|-----------------------|-----------------------|

| Nature | Balance at 31/12/2017 | Balance at 31/12/2016 |
|--|-----------------------|-----------------------|
| Related party balance in consolidation | 128,390,563.19 | 104,068,160.31 |
| Investment in securities | 40,850,949.35 | 41,342,938.53 |
| Deposit and Assurant | 858,139.09 | 1,191,658.09 |
| Employee borrowing | 16,164.00 | 72,924.00 |
| Rent, water and gas | 1,023,996.61 | 296,244.71 |
| Others | 814,962.10 | 296,712.75 |
| Total | 171,954,774.34 | 147,268,638.39 |

15.2.5 Details of top five other receivables:

| Debtor | Related party relationships | Nature | Balance as at 31/12/2017 | Age | % of the total amount | Allowance balance at the year-end |
|------------|-----------------------------|-----------------------|--------------------------|-----------------|-----------------------|-----------------------------------|
| The first | Subsidiary | Related party balance | 106,048,659.13 | Within 3 years | 61.67 | 0.00 |
| The second | Third party | Invest in securities | 29,010,449.35 | Over 3 years | 16.87 | 29,010,449.35 |
| The third | Subsidiary | Related party balance | 16,282,517.08 | Within 6 months | 9.47 | 0.00 |
| The forth | Third party | Invest in securities | 11,840,500.00 | Over 3 years | 6.89 | 11,840,500.00 |
| The fifth | Subsidiary | Related party balance | 6,059,386.98 | Within 6 months | 3.52 | 0.00 |
| Total | | | 169,241,512.54 | | 98.42 | 40,850,949.35 |

15.3 Long-term equity investments

15.3.1 Disclosure by classification

| Items | Balance as at 31/12/2017 | | | Balance at 31/12/2016 | | |
|------------------------|--------------------------|-------------------------|---------------------|-----------------------|-------------------------|---------------------|
| | Carrying amount | Allowance for bad debts | Net carrying amount | Carrying amount | Allowance for bad debts | Net carrying amount |
| Invest to subsidiaries | 1,155,089,408.32 | 0.00 | 1,155,089,408.32 | 1,155,089,408.32 | 0.00 | 1,155,089,408.32 |
| Total | 1,155,089,408.32 | 0.00 | 1,155,089,408.32 | 1,155,089,408.32 | 0.00 | 1,155,089,408.32 |

15.3.2 Details of long-term equity investments

| Name | Balance as at 31/12/2016 | Increase during the current year | Decrease during the current year | Balance as at 31/12/2017 | Impairment allowance | Carrying amount of impairment allowance as at 31/12/2017 |
|---|-----------------------------|--|-------------------------------------|-----------------------------|-------------------------|---|
| Gujing Sales | 84,864,497.89 | 0.00 | 15,915,211.00 | 68,949,286.89 | 0.00 | 0.00 |
| Longrui Glass | 85,793,666.00 | 897,549.00 | 1,423,761.94 | 85,267,453.06 | 0.00 | 0.00 |
| Shanghai Gujing Jinhao | 49,906,854.63 | 0.00 | 0.00 | 49,906,854.63 | 0.00 | 0.00 |
| Gujing Hotel | 648,646.80 | 0.00 | 0.00 | 648,646.80 | 0.00 | 0.00 |
| Gujing Transportation | 6,875,743.00 | 0.00 | 0.00 | 6,875,743.00 | 0.00 | 0.00 |
| Anhui Ruisiweier | 50,000,000.00 | 0.00 | 10,000,000.00 | 40,000,000.00 | 0.00 | 0.00 |
| Anhui colorful taste Co.Ltd | 30,000,000.00 | 0.00 | 0.00 | 30,000,000.00 | 0.00 | 0.00 |
| Anhui Yuanqing environmental protection Co., Ltd. | 16,000,000.00 | 0.00 | 0.00 | 16,000,000.00 | 0.00 | 0.00 |
| Anhui Gujing Yunshang Electronic Commerce Co., Ltd. | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 0.00 | 0.00 |
| Anhui Zhenrui Construction Engineering Co., Ltd | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 0.00 | 0.00 |
| Wuhan Tianlong Yellow Crane Tower Wine Co., Ltd | 816,000,000.00 | 0.00 | 0.00 | 816,000,000.00 | 0.00 | 0.00 |
| Jinyunla | 0.00 | 15,000,000.00 | 0.00 | 15,000,000.00 | 0.00 | 0.00 |
| Gujing Waste | 0.00 | 1,441,423.94 | 0.00 | 1,441,423.94 | 0.00 | 0.00 |
| Anhui RunanxinkeTesting Tech. Co., Ltd. | 0.00 | 10,000,000.00 | 0.00 | 10,000,000.00 | 0.00 | 0.00 |
| Total | 1,155,089,408.32 | 27,338,972.94 | 27,338,972.94 | 1,155,089,408.32 | 0.00 | 0.00 |

15.4 Operating revenues and costs

| Items | Current year | | Prior year | |
|---|------------------|------------------|------------------|------------------|
| | Revenue | Costs | Revenue | Costs |
| Revenue from principal operating activities | 3,719,581,487.77 | 1,433,324,800.10 | 3,255,168,021.47 | 1,396,232,148.48 |

| Items | Current year | | Prior year | |
|---|------------------|------------------|------------------|------------------|
| | Revenue | Costs | Revenue | Costs |
| Revenue from other operating activities | 69,966,355.07 | 47,706,150.59 | 53,231,228.56 | 40,562,309.03 |
| Total operating revenue | 3,789,547,842.84 | 1,481,030,950.69 | 3,308,399,250.03 | 1,436,794,457.51 |

15.5 Investment income

| Items | Current year | Prior year |
|--|----------------|----------------|
| Investment income from long term equity investment using cost method | 437,724,053.00 | 415,883,385.13 |
| Investment income from disposal of financial assets measured by fair value with changes in fair value recognized in profit or loss | 3,782,651.28 | 13,091,633.55 |
| Investment income from available for sale financial asset during the holding period | 85,284,265.40 | 77,779,247.77 |
| Investment income from disposal of available for sale financial assets | 52,056,765.62 | 283,347.55 |
| Total | 578,847,735.30 | 507,037,614.00 |

Note 16 Supplementary information

16.1 Extraordinary gains or losses for the current year

| Supplemental information | Total amount | Explanation |
|---|----------------|-------------|
| Gains or losses arising from the disposal of non-current assets | -10,659,063.45 | |
| Tax repayments or waiving of taxes not officially authorized or not with proper authorization | 0.00 | |
| Government grants accounted for through profit or loss for the current reporting period (excl. grants directly associated with the Company's operations and subject to national quotas) | 34,257,968.39 | |
| Cost of monetary funds charged on non-financial institutions accounted for through profit or loss for the current reporting period | 0.00 | |
| Gains from the investment costs paid less than the acquirer's interest in the fair value of the bargainor's identifiable net assets (During acquire subsidiary, joint venture and associates) | 0.00 | |
| Gains or losses arising from non-monetary assets exchange | 0.00 | |
| Gains or losses arising from entrusted assets and investments | 0.00 | |
| Impairment allowances arising from force majeure, such as natural disasters | 0.00 | |
| Gain or loss arising from debt restructuring | 0.00 | |
| Restructuring expenses, such as employee settlement and relocation costs and costs of integration | 0.00 | |
| Gains or losses arising from transactions in which the prices are deemed unfair (the difference between the price and the fair value) | 0.00 | |
| Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the current reporting period to the combination dates. | 0.00 | |
| Gains or losses arising from contingent events not associated with the Company's operating activities | 0.00 | |

| Supplemental information | Total amount | Explanation |
|---|----------------|-------------|
| Gains or losses arising from changes in the fair values of financial instruments held for trading (excl. effective hedging instruments associated with the Company's operating activities) or disposal of financial instruments held for trading and available-for-sale financial assets (excl. effective hedging instruments associated with the Company's operating activities) | 54,544,637.44 | |
| Recovery of impairment allowance for receivables subject to individual assessment for impairment | 491,989.18 | |
| Gains or losses arising from entrusted borrowings | 0.00 | |
| Gains or losses arising from changes in the fair values of investment property measured at fair value | 0.00 | |
| Impact of one-off adjustment required by tax laws, accounting standards and relevant regulations on the profit or loss for the current reporting period | 0.00 | |
| Revenue arising from the entrusted operation | 0.00 | |
| Other non-operating revenue and non-operating expenses not listed above | 27,140,455.30 | |
| Other gains or losses satisfying the definition of extraordinary gains or losses | 0.00 | |
| Subtotal | 105,775,986.86 | |
| Less: Effect of corporate income tax | 25,366,619.70 | |
| Less: Net amount attributable to minority interests (after tax) | 1,126,090.93 | |
| Total | 79,283,276.23 | |

Note: Extraordinary gains or losses event use “+” express revenue and income, “-” express loss and expenditure.


The Company recognized non-recurring categories of activities in accordance with the Explanatory Announcement regarding Information Disclosure by Publicly Listed Company No. 1 - Non-recurring Profit and Loss (ZhengjianhuiGonggao [2008] No.43).

16.2 Yield Rate of Net Assets and Earnings per Share

| Profits for the reporting period | The weighted average yield rate of net assets% | Earnings Per Share (Yuan per share) | |
|---|--|-------------------------------------|-------------|
| | | Basic EPS | Diluted EPS |
| Net profits attributable to ordinary shareholders | 19.09 | 2.28 | 2.28 |
| Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses) | 17.77 | 2.12 | 2.12 |

Part XII Documents Available for Reference

- (I) The financial statements carrying the signatures and stamps of the Company's legal representative, Chief Accountant and head of the accounting department;
- (II) The original copy of the Independent Auditor's Report stamped by the CPA firm as well as signed and stamped by the engagement certified public accountants;
- (III) The originals of all the Company's announcements and documents disclosed on media designated by the China Securities Regulatory Commission during the Reporting Period; and
- (IV) The annual report disclosed in other securities markets.

Chairman of the Board: 
(Liang Jinhui)

Anhui Gujing Distillery Company Limited



April 26, 2018