



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

## **2018 Semi-annual Report**

**Final 2018-03**

**August, 2018**

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## I. Important Notice, Contents and Definition

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

Mr. Zhou Hongjiang (Chairman of the Company), Mr. Jiang Jianxun (Chief Financial Officer & Financial Director) assure the truthfulness, accuracy and completeness of the financial report in the semi-annual report.

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

Director name with non-present in person	Director post with non-present in person	Reason for non-present in person	Name of mandatory
Sun Liqiang	Director	Business trip	Zhou Hongjiang
Augusto Reina	Director	Business trip	Aldino Marzorati

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

The business plan and target in the report do not represent the earnings forecast of the listed company to 2018. Whether the Company could achieve that or not depends on several factors including the changes of market conditions and the effort extent of managing team etc. with a great uncertainty, so the investors should be in a special attention.

The Company has no plan to distribute cash dividends and bonus shares, and capital reserve will not be transferred to equity.

## Definition

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

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

### 1. Company's information

Abbreviation of the Shares:	Changyu A、Changyu B	Code number of the Shares	000869、200869
Abbreviation of the Shares after alteration	-		
Place of listing of the Shares	Shenzhen Stock Exchange		
Legal Name in Chinese	烟台张裕葡萄酿酒股份有限公司		
Abbreviation of Chinese name	张裕		
Legal Name in English	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English name	CHANGYU		
Legal Representative	Mr. Zhou Hongjiang		

### 2. Contact person and information

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

### 3. Other information

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

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

☐Available ☒Not available

There is no any change for the Company's office address, post code, website and e-mail address during the report period, please see 2017 annual report for more details.

#### 2) Information disclosure and filing location

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

☐Available ☒Not available

There is no any change for the newspapers in which the Company's information is disclosed, website assigned by CSRC to carry the semi-annual report and the filing location during the report period, please see 2017 annual report for more details.

### 4. Key accounting data and financial indicators

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

☐ Yes ☒ No

	In the report period	In the same period of last year	More or less than last year (%)
Business revenue (CNY)	2,828,230,064	2,767,098,197	2.21%
Net profit attributed to the shareholders of the listed company (CNY)	635,837,405	670,069,054	-5.11%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	606,678,719	652,906,375	-7.08%
Net cash flows from the operating activities (CNY)	552,753,472	420,360,319	31.50%
Basic earnings per share (CNY/share)	0.93	0.98	-5.10%
Diluted earnings per share (CNY/share)	0.93	0.98	-5.10%
Weighted average for earning rate of the net assets	6.89%	7.84%	-0.95%
	The end of the report period	The end of last year	More or less than last year (%)
Total assets (CNY)	13,038,507,425	12,536,755,208	4%
Net Assets attributed to the shareholders of the listed company (CNY)	9,532,948,884	8,906,342,299	7.04%

## 5. Differences in accounting data under PRC accounting standards and international accounting standards

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

☒ Available ☐ Not available

Unit: CNY

	Net profit attributed to the shareholders of the listed company		Net Assets attributed to the shareholders of the listed company	
	Current period	Last period	End of period	Beginning of period
According to PRC accounting standards	635,837,405	670,069,054	9,532,948,884	8,906,342,299
Item and amount adjusted according to international accounting standards				
According to international accounting standards	635,837,405	670,069,054	9,532,948,884	8,906,342,299

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

☐Available ☒Not available

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

## 3) Explanation of the differences in accounting data under domestic and overseas accounting standards

☐Available ☒Not available

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

☒Available ☐Not available

Unit: CNY

Item	Amount	Explanation
Profit and loss on disposal of non-current assets, including the reversal of accrued impairment provision	93,958	
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	37,982,878	
Other non-operating expense and income	614,030	
Less: Income tax effect	9,447,208	
Minority shareholders equity effect (after tax)	84,972	
Total	29,158,686	-

The reasons shall be made clear and definitely as to the irregular profit and loss that the Company has defined by virtue of the *Explanatory Notice on Public Company's Information Disclosure No.1 - Irregular Profit and Loss* and as to regarding the irregular profit and loss as recurrent profit and loss as specified in the *Explanatory Notice on Public Company's Information Disclosure No.1 - Irregular Profit and Loss*.

☐Available ☒Not available

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

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

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

Whether the Company needs to follow the disclosure requirement of special business  
No.

During the report period, the Company's main business is to produce and operate wine and brandy, thus providing the domestic and foreign consumers with healthy and fashionable alcoholic drinks. The Company integrates the planting and procurement of grape, the procurement of raw and auxiliary material, the production and sales of products. Compared with earlier stage, there are no significant changes happened to the Company's main businesses. The wine industry that the Company involved in is still in the growth stage, the whole domestic wine market is on the rising trend. The Company takes the dominant position in the domestic wine market. During the report period, the sales of low-price wines, low-priced brandy and chateau wines of Castel are slightly down. The sales of mid-priced wines such as Noble Dragon remain stable. The sales of mid-to-high priced brandy, imported wines and chateaus wines such as AFIP keep the favorable growth momentum. All these make the Company's operating revenue appear a small increase compared with the same period of last year. However, due to factors such as rising prices of raw materials and packaging materials, and increased depreciation, the Company's net profit declined slightly.

#### 2. Significant changes of main assets

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

Main assets	Explanation of significant changes
Equity asset	No significant changes
Fixed asset	No significant changes
Intangible asset	No significant changes
Construction in process	No significant changes

## 2) Main overseas assets condition

☒ Available    ☐ Not available

Details of assets	Formation reasons	Assets scale	Location	Operation mode	Control measures for safeguarding of asset security	Earning condition	Proportion of overseas assets in the Company's net assets	Whether there are significant impairment risks
Hacienda Y Vinedos Marques Del Atrio. SL	Acquisition of equity	456,572,779	Spain	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management	1,214,012	4.79%	No
Indomita Wine Company Chile, SpA	Founding of joint venture	483,324,945	Chile	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management	-281,859	5.07%	No
Francs Champs Participations SAS	Founding of sole proprietorship	228,843,440	France	Independent operation	The Company directly appoints senior executives on management	-2,717,412	2.40%	No
Kilikanoon Estate Pty Ltd	Acquisition of equity	148,472,200	Australia	Independent operation	The Company participates in making important decisions through board of directors	-115,317	1.56%	No

### Explanation on major holding companies and joint stock companies

During the report period, Indomita Wine Company Chile, SpA and Kilikanoon Estate Pty Ltd is with small losses, mainly due to the fact that the two are located in the southern hemisphere as well as the low season sales of the first half of the year.

### 3. Analysis of core competitiveness

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

No.

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

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

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

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

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

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

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

Seventhly, the company has established a flexible and efficient decision-making mechanism. The core management of the Company has always maintained a united and pragmatic work style and flexible and efficient decision-making mechanism, enabling the Company to respond more coercively to market changes.

Eighthly, the company has basically completed the global production capacity layout. The Company has completed production capacity layout in the world's most important wine producing countries such as China, France, Chile, Spain, Australia, etc., and can make better use of global high-quality raw material resources, capital, talents and advanced production techniques and technologies to provide consumers with diversification quality products and services.

Based on the above reasons, the Company has formed strong core competitiveness and will maintain this comparative advantage in the foreseeable market competition in the future.

## IV. Management Discussion and Analysis

### 1. Summarization

During the report period, influenced by the slowdown of domestic economic growth, the overall domestic wine industry is relatively stable. Influenced by the further decrease in product price resulting from the overwhelming flow of foreign wine into Chinese market, the competition in domestic wine market, especially for middle-and-low-level wines, is very fierce, plus the great impact brought by E-commerce and other new channels to traditional sales channels in the meantime this company's E-commerce business is still in the beginning stage, resulting in bigger challenges for the Company to achieve sustained and steady growth. Facing quite a lot of external disadvantages, the Company insists to focus on the market, timely adjust the development strategy and marketing tactics, optimize the market layout and product structure, perfect the marketing channels and assessment system, strive to promote product sales, achieving good results and realizing business income of CNY2828.23 million, an increase of 2.21% compared with last year; but due to the impact of increase in operating cost, taxes and additional, sales expense and administrative expense, the Company realized net profit of CNY635.84 million belonging to the parent company's shareholders, an decrease of 5.11% compared with last year.

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

Firstly, the Company adjusted and fortified its management team, increasing the management level and capacity of management team.

Secondly, the Company proposed the strategy of "Focus on big product, focus on high quality, focus on middle-to-high end" (in other words "Three Focus" strategy), further clarifying its development direction.

Thirdly, the Company basically completed the reform and reorganization work in sales systems, improving the mode of market investment and enhancing marketing ability. The Company further implemented the measure of "personnel reduction while salary increase" in sales system, reduced redundant personnel, completed the personnel setting, position setting and personnel allocation work in business management department in sales system, perfected performance assessment method for marketing personnel and conducted authorized operation to partial business unit and provincial branches, improving the sales team's working enthusiasm, initiative and fighting capacity.

Fourthly, the Company fully implemented "Three Focus" strategy, accelerated the product carding as well as the backbone distributor system construction and increased the market investment, improving products' market competitiveness. For high-end products, the Company focused on "MOSER", "AFIP", "CASTEL", "Golden Icewine Valley", "Baron Balboa", "Rena", "Tinlot" wine and "Koya" brandy and strived to build "MOSER" to a globally well-known high-end brand, to build "AFIP", "CASTEL", "Golden Icewine Valley" and "Koya" to nationally well-known high-end brands and to build "Baron Balboa", "Rena", "Tinlot" to regionally well-known high-end brands. For middle-end products, the Company focused on "Noble Dragon" and reserva five-star brandy, reinforced the market development in the ninth-edition Noble Dragon and reserva five-star brandy, continued consolidating and enlarging the position of "Noble Dragon" as domestic biggest single product in wine market and continually increased the market share of middle-end brandy. For low-to-mid-end products, the Company focused on "Zuishixian" and mini-brandy to digging consumption potential and to guide and cultivate new consumer group. For imported liquor, the Company mainly paid attention to acquired brands, such as Atrio, Mirefleurs, Indomita, Kilikanoon and Roullet Fransac in order to occupy important position in Chinese imported wine market. The

Company also conducted comprehensive carding and reorganization to products and distributor team, reduced product items, eliminated and replaced unqualified distributors, implemented strict access system to distributors selling the ninth-edition Noble Dragon and new-edition “Zuishixian”, changed the market investment mode, intensified the fighting degree to fleeing goods, further standardized market order, better protected distributors’ interest and improved distributors’ enthusiasm.

Fifthly, the Company strengthened quality management and quickened the pace in product update and upgrade in order to better adapt to market change. During the report period, the Company revised internal quality management system, took unannounced inspection to eleven wineries and conducted update and upgrade work to products including partial chateau wine, Noble Dragon, reserva five-star brandy, five-star brandy and Zuishixian etc, effectively improving product quality and better satisfying the market need.

Sixthly, the Company reinforced financial management and audit work in order to strive to accomplish energy-saving and cost-reducing and to further reduce operating cost. During the report period, the Company further strengthened internal fund allocation and control, reasonably arranged loan structure, strived to reduce fund cost; intensified the cost management, such as advertisement and major raw material purchase and so on, and strongly reduced freight and storage expense; enhanced the financial management in overseas acquired enterprise and reinforced audit degree to investment project in order to prevent operating risk and improve investment benefits; made great efforts to increase the ratio of order-driven products, to shorten delivery time, to reduce inventory and capital occupying and to improve enterprise profitability.

Seventhly, the Company continued implementing internationalization strategy and orderly promoted overseas acquisition work. During the report period, the Company acquired 80% equity of Kilikanoon Estate Pty Ltd in Australia, optimizing the Company’s capacity layout and product structure and further improving the market competition of imported products. Through M&A and strategic cooperation, the Company’s production had extended to Asia, Europe, America and Oceania and the Company had completed the capacity layout in major global wine-producing countries and famous wine-producing region, such as France, Spain, Australia and Chile and so on. The Company also had deep brand cooperation with major wine enterprises in Italy, New Zealand, Argentina and other countries. Now the Company owned five overseas chateaux, eight domestic chateaux and more than twenty foreign and domestic major brands and sold its products to more than seventy countries and regions in the world.

Eighthly, the Company strengthened the management in investment project and basically completed the installation and commissioning work of major production lines in Changyu industrial park, laying the foundation of putting into operation as soon as possible and further improving production efficiency.

In order to achieve the operation target set by the Company at the beginning of this year, the Company would do following work in the second half of 2018:

Firstly, the Company will intensify the brand construction and carding work and enlarge the cooperation breadth and depth with domestic E-commerce magnate and new media in order to improve brand awareness and reputation. The Company will intensify brand aggregation, continue teasing and reducing product quantity and optimize product line; for choice of media, bind up with high-flow platform, enhance resource exchange and share and take deep cooperation with precision media with high category permeability to form high-flow and strong-viscosity communication strategy; for publicity form, focus on output content, aim at different media attribute and make brand image output at different platforms including MicroBlog, WeChat official account, Zhihu account and TouTiao etc by adopting micro film, short video, multimedia, long image-text, live broadcast and other forms.

Secondly, the Company will continue paying attention to the construction of key distributor team and professional sales personnel team, conduct the tasting and promotion work of mid-to-high-end products, such as chateau wine, Noble Dragon, “Three Star” and above level brandy and Zuishixian and so on, and strive to promote the sales of mid-to-high-end products; do the preparation work for the opening of Koya chateau and the launch of new products, such as Koya brandy; continue promoting the sales work of acquired brands in domestic and foreign markets, such as Atrio, Mirefleurs, Donelli, Indomita and Kilikanoon and so on, further establish and perfect the domestic and foreign sales system, take full advantage of foreign sales network to enlarge the export scale of domestic wines; centralize marketing resources and focus on key markets to continually enlarge the quantity and coverage of dominated market.

Thirdly, the Company will start the order-driven business mode for Noble Dragon distributors, make great efforts to shorten delivery time and reduce inventory level and fund occupation.

Fourthly, the Company will further enlarge and implement authorized operation to improve the positivity, initiative and flexibility of front-line production and management personnel and to accelerate market reaction speed; improve the Company’s assessment and incentive measures to production and management department, enhance staff training and reorganization, strictly carry out assessment, reward, promotion and elimination system, and motivate all staff’s vitality and fighting capacity.

Fifthly, the Company will orderly proceed the construction of investment projects and focus on the connection between production and sales. The Company will pay special attention to the ending work of main body’s civil work in Yantai Changyu International Wine City (in other words Yantai Changyu Industry Park), accelerate the construction of intelligentization and informatization management system as well as the maintenance and transformation in Cognac Roulet Fransac chateau and the fire engineering in the research institute; conduct the coordination work between project construction and production and reasonably arrange construction and production progress to timely satisfy the market need.

Sixthly, the Company will strengthen the management in supply chain and fully accomplish the purchase in grape material. The Company will enhance the construction and management in the supply chain of overseas and domestic grape material and other packing materials, strive to realize diversification of material supply and make sure that, for all raw materials, the important segment could be monitored and the whole course could be traced; based on the material requirement in future years, scientifically make raw material purchase plan, further perfect raw material pricing mechanism, reasonably determine raw material purchase price, comprehensively complete raw material purchase work, preferably control raw material cost and improve raw material quality.

## 2. Analysis of main business

See “1. Summarization” in “Management Discussion and Analysis”.

Period comparison of main financial data

Unit: CNY

	In the report period	In the same period of last year	More or less (%)	Reason for changes
Operating revenue	2,828,230,064	2,767,098,197	2.21%	Mainly attributed to the Company's consolidation of companies in Chile and Australia that are included in the scope of consolidation making an increase in operating revenue
Operating cost	974,557,292	925,754,133	5.27%	Mainly attributed to the increase in prices of raw materials and packaging materials on year-on-year basis
Sales expense	710,659,033	668,735,726	6.27%	Mainly attributed to the increase in advertising promotion fees and marketing staff compensation on year-on-year basis
Management expense	160,091,888	130,542,386	22.64%	Mainly attributed to the increase of employee's compensation and depreciation expense on year-on-year basis
Financial expense	13,085,942	11,147,949	17.38%	Mainly attributed to the increase in interest expenses and handling fees on year-on-year basis
Income tax expense	211,979,735	228,752,790	-7.33%	Mainly attributed to the decrease in total profit (profit before tax) on year-on-year basis which results in a decrease in current income tax expenses on year-on-year basis
Net amount of cash flow generated in operating activities	552,753,472	420,360,319	31.50%	Mainly attributed to the increase of cash received from goods selling and labor service providing on year-on-year basis
Net amount of cash flow generated in investment activities	-291,217,548	-797,540,941	63.49%	Mainly attributed to the recovery of fixed term deposits making the cash injection in investment activities increased on year-on-year basis and the cash outflow from investment activities decreased on year-on-year basis
Net amount of cash flow	-6,350,537	353,878,706	-101.79%	Mainly attributed to the year-on-year decrease in cash received from loans and

generated in financing activities				the year-on-year increase in cash paid for debt repayment
Net increased amount of cash and cash equivalents	247,781,188	-27,454,401	1,002.52%	Mainly attributed to the increase in net cash flow from operating activities and net cash flow from investing activities on year-on-year basis

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

☐Available ☒Not available

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

### Structure of main businesses

Unit: CNY

Item	Operating revenue	Operating cost	Gross profit (%)	Increase or decrease of operating revenue over the same period of last year (%)	Increase or decrease of operating cost over the same period of last year (%)	Increase or decrease of gross profit over the same period of last year
Sector						
Wine and alcoholic beverages	2,828,230,064	974,557,292	65.54%	2.21%	5.27%	-1%
Product						

Wine	2,235,369,550	759,887,101	66.01%	3.92%	7.94%	-1.26%
Brandy	552,121,883	194,450,633	64.78%	-4.03%	-2.86%	-0.43%
Other	40,738,631	20,219,557	50.37%	0.22%	-6.23%	3.42%

### 3. Analysis to non-main business

☐ Available    ☒ Not available

### 4. Assets and liabilities situation

#### 1) Major changes of assets

Unit: CNY

	The end of the report period		The end of the same period of last year		Proportion increase or decrease (%)	Explanation on significant changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,683,038,453	12.91%	1,550,067,781	12.63%	0.28%	No significant changes
Receivables	243,413,092	1.87%	167,152,509	1.36%	0.51%	No significant changes
Inventory	2,338,925,432	17.94%	2,024,302,929	16.49%	1.45%	Mainly attributed to the increase in raw materials reserved at the end of the report period
Investment real estate	17,877,379	0.14%		0%	0.14%	No significant changes
Long-term equity investments				0%	0%	No significant changes

Fixed assets	5,457,575,677	41.86%	4,591,037,486	37.40%	4.46%	Mainly attributed to the transfer of constructions in progress during the report period
Construction in progress	1,015,914,753	7.79%	1,697,297,440	13.83%	-6.04%	Mainly attributed to the transfer of constructions in progress into fixed assets during the report period
Short-term borrowings	750,454,676	5.76%	846,881,075	6.90%	-1.14%	Mainly attributed to the return of short term bank loans
Long-term borrowings	153,965,191	1.18%	175,270,580	1.43%	-0.25%	No significant changes

## 2) Measuring assets and liabilities at fair value

☐ Available    ☒ Not available

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

Assets rights restricted situation of the Company up to the end of report period, please refer to *Announcement on External Guarantee* (announcement number: 2016-Temporary 021) and *Announcement on External Guarantee* (announcement number: 2017-Temporary 015) disclosed on *China Securities Journal*, *Securities* and the website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) respectively on December 22<sup>nd</sup>, 2016 and December 12<sup>th</sup>, 2017.

## 5. Investment situation analysis

### 1) Overall situation

☒ Available    ☐ Not available

Amount of investment during the report period (CNY)	Amount of investment in the same period last year (CNY)	Extent of change
312,384,336.55	630,502,100	50.45%

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

☒ Available    ☐ Not available

Unit: CNY

Name of the invested company	Main businesses	Investment mode	Investment amount	Shareholding ratio	Capital source	Partners	Investment horizon	Product type	Progress up to the balance sheet date	Estimated profit	Investment profit and loss for current period	Whether or not to prosecute	Disclosure date	Disclosure index
Kilikanoon Estate Pty Ltd	Production and sales of wines	Acquisition	101,452,936.55	80%	Self-owned	PTO7 Pty Ltd、Bruce Warren & Lindsey Anne Baudinet、Nathan Waks & Michelle Williams、Woodvale Vintners Pty Ltd、	50 years	Wines	Completed	6,763,529	-115,317	No	December 12 <sup>th</sup> , 2017	<i>Announcement on Equity Acquisition of Kilikanoon Estate Pty Ltd</i> (announcement number: 2017-Temporary 017) disclosed on the website (www.cninfo.com.cn)

						NWMW Nominee s Pty Ltd、W.J. Duthy Holdings Pty Ltd、 Warrick James Duthy、 SH & G Nominee s Pty Ltd、 David Leonard & Rebecca Louise Adams、 12-14 Marsden Street Pty Ltd、 Burford Sampson and Jane Hamilton Sampson								
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Total	-	-	101,452,936.55	-	-	-	-	-	-	6,763,529	-115,317	-	-	-
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### 3) Situation of main ongoing non-equity investments during the report period

☒Available    ☐Not available

Unit: CNY

Project name	Investment mode	Whether it belongs to fixed assets investment	Involved sectors	Investment Amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Process of project	Estimated profit	Accumulated realized profit up to the end of the report period	Reasons for unreached planning schedule and estimated profit	Disclosure date	Disclosure index
Yantai Changyu International Wine City Blending and Cooling Center Construction Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	107,016,000	1,265,635,100	Owned fund	100%	-	-	No direct earnings	2018.04.23	Please refer to Announcement on Resolution of the Seventh Session Board of Directors 8th Meeting disclosed on China Securities Journal, Securities and the website (www.cninfo.com.cn)
Yantai	Self-	Yes	Liquor	50,000,000	936,690,000	Owned	100%	-	-	No direct	2018.04.23	

Changyu International Wine City Bottling Center Construction Project	constructed		and alcoholic beverage sector			fund				earnings		on April 23rd, 2018.
Yantai Changyu International Wine City Logistics Center Construction Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	0	415,207,200	Owned fund	100%	-	-	No direct earning	2018.04.23	
Changyu Vine and Wine Research Institute Construction Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	1,800,000	117,560,000	Owned fund	75%	-	-	Not put into operation	2018.04.23	
Treasure Wine Chateau Construction Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	9,840,000	119,830,000	Owned fund	75%	-	-	Not put into operation	2018.04.23	

Koya Brandy Chateau Construction Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	4,230,000	139,928,000	Owned fund	80%	-	-	Not put into operation	2018.04.23	
Greening Investment	Self-constructed	Yes	Liquor and alcoholic beverage sector	4,000,000	57,105,700	Owned fund	100%	-	-	No direct earning	2018.04.23	
Cognac Fransac Chateau Rrepair and Renovation Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	7,535,400	7,535,400	Owned fund	30%	-	-	Not completed	2018.04.23	
Industrial Production SAP Information Construction Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	26,510,000	37,850,000	Owned fund	60%	-	-	No direct earning	2018.04.23	
Research Institute Fire Engineering Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	0		Owned fund	0%	-	-	No direct earning	2018.04.23	

Oak Barrel Procurement Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	0	0	Owned fund	0%	-	-	No direct earning	2018.04.23	
Non-dry Sticker Labeling Machine Procurement Project	Self-constructed	Yes	Liquor and alcoholic beverage sector	0	0	Owned fund	0%	-	-	No direct earning	2018.04.23	
Total	—	—	—	210,931,400	3,097,341,400	—	—	-	-	--	--	--

#### 4) Financial assets investment

##### (1) Security investment

☐ Available    ☒ Not available

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

##### (2) Derivative investment

☐ Available    ☒ Not available

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

## 6. Sale of major assets and equities

### 1) Sale of major assets

☐ Available ☒ Not available

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

### 2) Sale of major equities

☐ Available ☒ Not available

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

☒ Available ☐ Not available

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

Unit: CNY

Company name	Company type	Main business	Registered capital	Total asset	Net asset	Operation revenue	Operation profit	Net Profit
Xinjiang Tianzhu Winery Co., Ltd.	Subsidiary	Grape planting, grape juice, bulk wine and fruit wine processing, filling and sales	CNY75million	100,490,996	94,660,914	18,803	-1,156,537	-184,572
Yantai Changyu-Chateau Changyu Castel Wine Co. Ltd.	Subsidiary	Wine and sparkling wine research, production and sales as well as the tourism service	USD5million	254,998,005	83,446,152	43,226,910	3,706,113	2,861,474

Langfang Castel-Changyu Wine Co. Ltd.	Joint stock company	Wine production and sales	USD6.108818million	35,673,406	31,609,890	5,038,281	-1,952,954	-1,952,954
Chateau Changyu AFIP Global Wine Co. Ltd.	Subsidiary	Brandy and wines research, production and sales	CNY642.75million	690,531,538	640,211,147	78,502,666	21,121,608	15,243,700
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	Ice wine production	CNY59.6873million	84,138,776	55,148,440	27,305,133	2,913,516	905,396
Hacienda Y Vinedos Marques Del Atrio, SL	Subsidiary	Wine and other liquors production and operation	EUR2.385732million	456,572,779	122,855,707	148,197,893	-771,033	1,214,012
Indomita Wine Company Chile, SpA	Subsidiary	Wine and other liquors production and operation	USD47.19million	483,324,945	349,642,978	93,719,341	-1,582,286	-281,859
Kilikanoon Estate Pty Ltd	Subsidiary	Wine and other liquors production and operation	AUD6.529221million	148,472,200	83,884,229	25,904,401	-385,840	-115,317

Acquisition and disposal of subsidiaries during the report period

☐ Available ☒ Not available

Information of main holding and joint stock companies

No

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

☐ Available ☒ Not available

## 9. Forecast for the operation achievements from January to September of 2018

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

☐ Available      ☒ Not available

## 10. Risks the Company faces and measures

### (1) Risks in price fluctuation of raw materials

Grapes are the Company's main raw materials. The grape's yield and quality are affected to a certain extent by the natural factors such as drought, wind, rain, frost and snow. These force majeure factors greatly influence the quantity and price of the grapes in Company orders and add the uncertainty to the Company's production and operation. Therefore, the Company will lower the risks that are likely to affect grape quality and result in price fluctuation by means of expanding the self-run vineyards, strengthening the vineyard management and optimizing the layout of vineyards.

### (2) Risks in uncertainty of market input and output

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

### (3) Risks in product transport

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

### (4) Risks in investment faults

According to the plan, currently the Company has finished the production layout at home, and the next step is to pay more attention to the overseas merge and acquisition in the same industry. Currently, Yantai Changyu International Wine City (namely Yantai Changyu Industrial Park)

has those features such as the big investment amount, long-term construction period and many uncertain factors; more unforeseeable factors for the overseas merge and acquisition projects in the progress of M&A, it is difficult to make sure the fair and reasonable transaction price, the integration and management after M&A is also hard. Under the influence of uncertain factors for individual projects, it leads to have the risks of facing with the investment amount out of budget or hardly taking back the expected investment earnings. The Company will take an adequate argument and scientific decision-making for investment projects, try hard to reduce and avoid investment risks.

## V. Major issues

### 1. Information for the shareholders' meeting and temporary shareholders' meeting held during the report period

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

Session	Meeting type	Participation ratio of investors	Convening date	Disclosure date	Disclosure Index
2017 Annual Shareholders' Meeting	Annual shareholders' meeting	62.42%	2018.05.24	2018.05.25	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> <i>Announcement on Resolution of 2017 Annual Shareholders' Meeting ( Announcement number:2018-Temporary 15 )</i>

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

☐ Available    ☒ Not available

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

☐ Available    ☒ Not available

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

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

☒ Available    ☐ Not available

Commitments	Commitment party	Commitment type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at share reform						
Commitments made in acquisition report or equity changes report						
Commitments at asset restructuring						
Commitments at the initial public offering or refinancing	Yantai Changyu Group Co. Ltd.	Solve horizontal competition	Non-horizontal competition	1997.05.18	Forever	Has been performing strictly
	Yantai Changyu Group Co. Ltd.	Clear the purpose of brand royalty	According to Trademark License Contract, the Company will pay trademark royalty for the “Changyu” products of Yantai Changyu Group Co., Ltd every year, Yantai Changyu Group Co., Ltd will use trademark royalty to advertise “Changyu” trademarks and Contracted products in this contract.	1997.05.18	Forever	Has been performing strictly
Equity incentive commitments						

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

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

Whether the semi-annual report has been audited

☐ Yes ☒ No

The semi-annual report has not been audited.

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

☐ Available ☒ Not available

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

☐ Available ☒ Not available

#### 7. Bankruptcy reorganization

☐ Available ☒ Not available

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

## 8. Litigation Issue

Material litigation and arbitration

☐ Available ☒ Not available

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

Other Litigation Issue

☐ Available ☒ Not available

## 9. Penalty and rectification

☐ Available ☒ Not available

There are no penalties or rectifications during the report period.

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

☒ Available ☐ Not available

There is no situation such as court effective judgment is failure to execute, a large amount of debt expires but it is unpaid by the company, holding shareholders and actual controllers.

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

☐ Available ☒ Not available

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

## 12. Significant related transactions

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

☒ Available ☐ Not available

Related transactions in relation to routine operations, please refer to XII "Related party and Related Transaction" in the chapter X "Financial Report".

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

☐ Available ☒ Not available

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

### 3) Related transactions in relation to common foreign investment

☐ Available ☒ Not available

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

#### 4) Related current credit and debt

☒ Available ☐ Not available

Whether or not to exist non-operating related credit and debt

☐ Yes ☒ No

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

#### 5) Other major related transactions

☐ Available ☒ Not available

There are no other major related transactions during the report period.

### 13. Non-business capital occupying of listed company by controlling shareholder and its related parties

☐ Available ☒ Not available

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

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

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

##### (1) Trusteeship situation

☐ Available ☒ Not available

There is no trusteeship situation during the report period.

##### (2) Contract situation

☒ Available ☐ Not available

Contract situation description

During the report period, about the Company's contract operation situation, please refer to "41. Other payables" in Annex 7 "Notes to consolidated financial statement" in the financial

report of this report.

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

☐Available ☒Not available

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

### (3) Leasehold situation

☒Available ☐Not available

Leasehold situation description

On January 1<sup>st</sup>, 2017, the Company renewed the *Space Lease Agreement* with the controlling shareholder Changyu Group. The Company leased the space with 15196.94 square meters located at 174 Shihuiyao Road, Zhifu District, Yantai City. The rent per year is CNY1.4645 million with a rental period of 5 years from January 1<sup>st</sup>, 2017 to December 31<sup>st</sup>, 2021. On January 1<sup>st</sup>, 2017, the Company's subordinate Sales&Marketing Co. of Yantai Changyu Pioneer Wine Company Limited. Brand Sales Department renewed the *Space Lease Agreement* with the controlling shareholder Changyu Group, leasing the space with 42552.83 square meters located at 1 Jichang Road, Zhifu District, Yantai City and the space with 3038 square meters located at 56 Dama Road, Zhifu District, Yantai City, which are all under the name of controlling shareholder. The rent of the above spaces per year is CNY4.3935million with a rental period of 5 years from January 1<sup>st</sup>, 2017 to December 31<sup>st</sup>, 2021.

On July 1<sup>st</sup>, 2017, this company signed a house-leasing contract with Yantai Shenma Packaging Company Limited. According to this contract, since July 1<sup>st</sup>, 2017, this company leased property to Yantai Shenma Packaging Company Limited for a business purpose with the annual rent of CNY1,626,880. This contract expires on June 30<sup>th</sup>, 2022.

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

☐Available ☒Not available

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

## 2) Major guarantee

☒Available ☐Not available

**(1) Guarantee situation**

Unit: CNY'0000

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

Yantai Changyu Pioneer Wine Company Limited	2016.12.22	11,984	2016.12.21	11,984	Mortgage; Pledge	10 years	No	Yes
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	10 years	No	Yes
Kilikanoon Estate Pty Ltd	2017.12.12	7,100	2018.01.09	7,100	Joint liability assurance	1 year	No	Yes
Total of the guarantee quota approved to subsidiaries during the report period (B1)				0	Total of the actual guarantee amount for subsidiaries during the report period (B2)		7,100	
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)				89,276	Balance of the actual guarantee for subsidiaries by the end of the report period (B4)		89,276	
Guarantee situations between subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Hacienda Y Vinedos Marques Del Atrio. SL	2016.04.29	3,502	2015.10.08	3,502	Mortgage	Long-term	No	No
Indomita Wine Company Chile, SpA	2018.04.23	1,986	2018.04.20	1,986	Mortgage	Long-term	No	No
Total of the guarantee quota approved to				0	Total of the actual guarantee amount		5,488	

subsidiaries during the report period (C1)		for subsidiaries during the report period (C2)	
Total of the guarantee quota approved to subsidiaries by the end of the report period (C3)	5,488	Balance of the actual guarantee for subsidiaries by the end of the report period (C4)	5,488
Total guarantee amount of the Company（Total of above three major items）			
Total of the approved guarantee quota during the report period（A1+B1+C1）	0	Total of the actual guarantee amount during the report period（A2+B2+C2）	12,588
Total of the approved guarantee quota by the end of the report period（A3+B3+C3）	128,924	Balance of the actual guarantee by the end of the report period（A4+B4+C4）	128,924
The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset	13.52%		
Among：			
The amount of guarantee for shareholders, actual controllers and their related parties（D）	0		
The amount of debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% directly or indirectly（E）	0		
Total amount of guarantee of the part that exceeds 50% of net assets（F）	0		
Total amount of the above-mentioned three items（D+E+F）	0		

## (2) Illegal external guarantee

☐ Available    ☒ Not available

There is no illegal guarantee situation during the report period.

**3) Other important contracts**

☐Available    ☒Not available

There are no other important contracts during the report period.

**15. Situation for Social Responsibility****1) Major environmental situation**

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

☐Yes    ☒No

**2) Situation for carrying out social responsibility of targeted poverty****(1) Targeted poverty plan**

No

**(2) Summary of semi-annual targeted poverty**

Zhuqiao town in Yantai Laizhou locates in hilly land. The life of farmers living here depends on the weather and their income is very low. Since 2013, the Company has planted 8000 mu of wine-making grapes adapting to the infertile soil in here and employed more than 600 farmers in around 16 villages to work in the vineyard, making these farmers' average annual income increase CNY10 thousand. This not only is beneficial for local green ecology construction but also drives local farmers to overcome poverty and achieve prosperity. At present ,there is no poverty-stricken family in these 16 villages.

**(3) Targeted poverty effectiveness**

The Company has adopted the mode of “Company+Cooperative+Farmer” to achieve the layout of 200 thousands of mu of grape bases in

domestic six producing regions including Xinjiang, Ningxia, Yantai, Liaoning, Shaanxi and Hebei and so on, bringing about CNY800million to nationwide fruit farmers every year and driving thousands of farmers to overcome poverty and achieve prosperity.

**(4) Subsequent targeted poverty plan**

No

**16. Other Major issues**

☐Available ☒Not available

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

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

☐Available ☒Not available

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

### 1. Changes in shares

#### 1) Changes in shares

Unit: share

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

Cause of share change

☐ Available    ☒ Not available

Approval of share change

☐ Available    ☒ Not available

Transfer of changed shares

☐ Available    ☒ Not available

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

☐Available ☒Not available

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

☐Available ☒Not available

## 2) Changes in restricted shares

☐Available ☒Not available

## 2. Securities issuance and listing situation

☐Available ☒Not available

## 3. Situation for shareholders and the actual controllers

Unit: share

Total common shareholders at the end of report period	40,428 (21,831 of Stock A and 18,597 of Stock B)	Total number of preferred shareholder recovering voting power at the end of report period	0					
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage	Shares held until the end of	Changes	Number	Number	of	Pledged or frozen

		(%)	the report period	during the report period	of restricted shares	unrestricted shares	Share status	Amount
YANTAI CHANGYU GROUP CO. LTD.	Domestic non-state-owned legal person	50.40%	345,473,856	0	0	345,473,856		0
GAOLING FUND,L.P.	Foreign legal person	3.08%	21,090,219	0	0	21,090,219		0
CHINA SECURITIES FINANCE CORP	State-owned legal person	2.27%	15,531,455	-107,200	0	15,531,455		0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826	0	0	15,241,826		0
SHENWAN HONGYUAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	1.19%	8,144,869	1,590,215	0	8,144,869		0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.95%	6,535,089	-293,408	0	6,535,089		0
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.89%	6,100,762	0	0	6,100,762		0
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	0.69%	4,761,200	0	0	4,761,200		0

VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.55%	3,788,487	0	0	3,788,487		0
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign legal person	0.55%	3,779,202	0	0	3,779,202		0
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders(if have)(see note 3)		No						
The explanation for the associated relationship and accordant action		Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.						
The top 10 shareholders with unrestricted shares								
Name of Shareholders				Number of unrestricted shares held until the end of the year	Type of share			
					Type of share		Amount	
YANTAI CHANGYU GROUP CO. LTD.				345,473,856		A		345,473,856
GAOLING FUND,L.P.				21,090,219		B		21,090,219
CHINA SECURITIES FINANCE CORP				15,531,455		A		15,531,455
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD				15,241,826		B		15,241,826
SHENWAN HONGYUAN SECURITIES(HONG KONG) LIMITED				8,144,869		B		8,144,869
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED				6,535,089		B		6,535,089
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND				6,100,762		B		6,100,762
CENTRAL HUIJIN ASSET MANAGEMENT LTD.				4,761,200		A		4,761,200
VANGUARD EMERGING MARKETS STOCK INDEX FUND				3,788,487		B		3,788,487

FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B	3,779,202
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
Explanation for the top 10 shareholders who involved in financing activities and stock trading business (if have)(see note 4)	The top 10 shareholders do not involve in financing activities and stock trade business.		

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

☐Yes ☒No

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

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

Changes of the controlling shareholders during the report period

☐Available ☒Not available

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

Changes of the actual controllers during the report period

☐Available ☒Not available

There is no any change of the actual controllers during the report period.

## VII. Related Situation of Preferred Shares

☐Available ☒Not available

## VIII. Situation for Directors, Supervisors, Senior Management Staffs

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

☐Available ☒Not available

There are no any changes in shareholdings of directors, supervisors and senior management staffs during the report period, details see 2017 annual report

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

☒Available ☐Not available

Name	Positions held	Type	Date	Reason
Sun Liqiang	Chairman	leaving the post	2017.12.08	Resigning from the post of chairman on his own initiative and no longer serving as chairman; currently serving as director of the Company
Zhou Hongjiang	Vice chairman	leaving the post	2018.01.08	Resigning from the post of vice chairman on his own initiative, no longer serving as vice chairman, and is elected to serve as chairman; currently serving as chairman of the Company
Zhou Hongjiang	General manager	Non-reappointment	2018.01.08	Resigning from the post of general manager on his own initiative and no longer serving as general manager; currently serving as director of the Company
Leng Bin	Vice general manager	Non-reappointment	2018.01.08	Resigning from the post of vice general manager on his own initiative and no longer serving as vice

				general manager; currently serving as director of the Company.
Sun Jian	Vice-general manager	Appointed and removed	2018.01.08	Being appointed as general manager and removed from vice general manager; currently serving as the general manager of the Company
Peng Bin	Vice general manager	Appointed	2018.01.08	Being appointed as vice general manager; currently serving as vice general manager of the Company
Jiang Jianxun	Chief financial officer	Appointed	2018.01.08	Being appointed as chief financial officer; currently serving as chief financial officer and finance manager of the Company

## IX. Related Situation of Corporation Bonds

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

No

## X. Financial Report

### 1. Audit report

Whether the semiannual report has been audited

☐ Yes ☒ No

### 2. Financial statement

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

#### 2.1 Consolidated balance sheet

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.		June 30, 2018	Unit: Yuan
Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary fund	7.1	1,683,038,453	1,402,522,509
Settlement reserves			
Lending funds			
Financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial assets			
Bills receivable	7.2	367,210,884	244,796,818
Accounts receivable	7.3	243,413,092	263,796,355
Advance payment	7.4	3,122,797	2,417,931
Premium receivable			
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Interest receivable	7.5	1,218,373	240,968
Dividends receivable			
Other receivables	7.6	16,500,022	18,737,454
Buying back the sale of financial assets			
Inventories	7.7	2,338,925,432	2,473,614,046
Assets held for sale	7.8	2,000,197	2,000,197
Non-current assets due within one year			
Other current assets	7.9	362,977,990	230,822,759
<b>Total current assets</b>		<b>5,018,407,240</b>	<b>4,638,949,037</b>
<b>Non-current assets:</b>			
Offering loans and imprest			
Available-for-sale financial assets	7.10	463,880	467,251
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment real estate	7.11	17,877,379	18,467,989
Fixed assets	7.12	5,457,575,677	5,329,083,969
Construction in progress	7.13	1,015,914,753	1,026,141,569

Item	Note	Ending balance	Beginning balance
Construction materials			
Disposal of fixed assets			
Productive biological assets	7.14	202,661,748	201,929,888
Oil and gas assets			
Intangible assets	7.15	662,694,276	655,448,897
Development expenditure			
Goodwill	7.16	163,930,875	128,135,981
Long-term prepaid expenses	7.17	227,993,424	230,009,231
Deferred tax assets	7.18	270,988,173	308,121,396
Other non-current assets			
Total non-current assets		8,020,100,185	7,897,806,171
<b>Total assets</b>		<b>13,038,507,425</b>	<b>12,536,755,208</b>
<b>Current liabilities:</b>			
Short-term loans	7.19	750,454,676	714,434,286
Borrowings from the Central Bank			
Customer and interbank deposits			
Borrowing funds			
Financial liabilities measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial liabilities			
Bills payable			
Accounts payable	7.20	505,856,955	666,442,879
Advances from customers	7.21	366,355,280	350,894,156
Financial assets sold for repurchase			
Handling fees and commissions payable			
Employee remunerations	7.22	177,995,138	210,824,234
Taxes payable	7.23	73,859,747	145,094,156
Interest payable	7.24	834,247	771,250
Dividends payable	7.25	746,021	
Other payables	7.26	671,707,915	602,964,319
Dividend payable for reinsurance			
Reserves for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Liabilities held for sale			
Non-current liabilities due within one year	7.27	140,570,388	110,954,827
Other current liabilities	7.28	16,311,727	16,878,199
Total current liabilities		2,704,692,094	2,819,258,306
<b>Non-current liabilities:</b>			
Long-term borrowings	7.29	153,965,191	156,125,854
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term accounts payable	7.30	235,000,000	259,000,000
Long-term employee remunerations payable			
Special accounts payable			

Item	Note	Ending balance	Beginning balance
Estimated liabilities			
Deferred income	7.31	92,340,427	92,918,855
Deferred tax liabilities	7.18	26,020,063	24,264,203
Other non-current liabilities	7.32	6,848,847	7,209,312
Total non-current liabilities		514,174,528	539,518,224
<b>Total liabilities</b>		<b>3,218,866,622</b>	<b>3,358,776,530</b>
<b>Owner's equity:</b>			
Capital stock	7.33	685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital surplus	7.34	565,955,441	565,955,441
Minus: Treasury stock			
Other comprehensive income	7.35	-6,121,580	3,109,240
Special reserves			
Surplus reserves	7.36	342,732,000	342,732,000
General risk preparation			
Retained earnings	7.37	7,944,919,023	7,309,081,618
Total owner's equities attributable to the parent company		9,532,948,884	8,906,342,299
Minority equity		286,691,919	271,636,379
Total owner's equities		9,819,640,803	9,177,978,678
Total liabilities and owner's equities		13,038,507,425	12,536,755,208

Legal Representative: Zhou Hongjiang    Accounting Supervisor: Jiang Jianxun    Accounting Department Manager: Jiang Jianxun

## 2.2 Balance sheet of the parent company

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

Unit: Yuan

Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary fund		818,844,330	559,174,466
Financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial assets			
Bills receivable		33,180,494	41,645,203
Accounts receivable	15.1	12,408,787	7,805,333
Advance payment		453,842	99,673
Interest receivable		87,014	76,646
Dividends receivable		2,238,064	407,495,922
Other receivables	15.2	509,269,034	592,274,075
Inventories		393,024,758	348,042,053
Assets held for sale		2,000,197	2,000,197
Non-current assets due within one year			
Other current assets		34,997,149	29,706,058
<b>Total current assets</b>		<b>1,806,503,669</b>	<b>1,988,319,626</b>

Item	Note	Ending balance	Beginning balance
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	15.3	4,617,128,388	4,511,202,204
Investment real estate		17,877,379	18,467,989
Fixed assets		273,244,802	288,150,901
Construction in progress		11,388,924	6,756,349
Construction materials			
Disposal of fixed assets			
Productive biological assets		120,973,169	119,572,539
Oil and gas assets			
Intangible assets		68,433,643	69,623,219
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		22,493,100	28,787,907
Other non-current assets		3,721,606,444	3,718,674,166
Total non-current assets		8,853,145,849	8,761,235,274
<b>Total assets</b>		10,659,649,518	10,749,554,900
<b>Current liabilities:</b>			
Short-term loans		200,000,000	600,000,000
Financial liabilities measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial liabilities			
Bills payable			
Accounts payable		82,489,858	97,833,124
Advances from customers		6,000,000	6,000,000
Employee remunerations		59,439,264	70,108,076
Taxes payable		5,443,037	14,569,690
Interest payable		238,356	652,500
Dividends payable			
Other payables		573,572,022	544,713,172
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		3,693,054	3,953,054
Total current liabilities		930,875,591	1,337,829,616
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term accounts payable			
Long-term employee remuneration payable			
Special accounts payable			
Estimated liabilities			

Item	Note	Ending balance	Beginning balance
Deferred income		11,253,946	12,970,473
Deferred tax liabilities			
Other non-current liabilities		2,235,802	2,235,802
Total non-current liabilities		13,489,748	15,206,275
<b>Total liabilities</b>		<b>944,365,339</b>	<b>1,353,035,891</b>
<b>Owner's equity:</b>			
Capital stock		685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital surplus		557,222,454	557,222,454
Minus: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		342,732,000	342,732,000
Retained earnings		8,129,865,725	7,811,100,555
Total owner's equities		9,715,284,179	9,396,519,009
Total liabilities and owner's equities		10,659,649,518	10,749,554,900

Legal Representative: Zhou Hongjiang    Accounting Supervisor: Jiang Jianxun    Accounting Department Manager: Jiang Jianxun

## 2.3 Consolidated profit statement

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Total operating income</b>		<b>2,828,230,064</b>	<b>2,767,098,197</b>
Including: Operating income	7.38	2,828,230,064	2,767,098,197
Interest income			
Earned premium			
Handling fee and commission income			
<b>2. Total operating costs</b>		<b>2,018,939,458</b>	<b>1,890,800,616</b>
Including: Operating costs	7.38	974,557,292	925,754,133
Interest expenditure			
Handling fees and commission expenditure			
Premium rebate			
Net amount of indemnity expenditure			
Net amount of the withdrawn reserve fund for insurance contract			
Policy bonus payment			
Amortized reinsurance expenditures			
Taxes and surcharges	7.39	165,276,251	160,473,998
Selling expenses	7.40	710,659,033	668,735,726
Administrative expenses	7.41	160,091,888	130,542,386
Financial expenses	7.42	13,085,942	11,147,949
Loss on impairment of assets	7.43	-4,730,948	-5,853,576

Plus: Fair value change profit (loss is listed with "-")			
Investment profit (loss is listed with "-")			
Including: Investment profit for joint-run business and joint venture			
Exchange income (loss is listed with "-")			
Income from asset disposal (loss is listed with "-")	7.44	93,958	-495,071
Other income	7.45	37,982,878	
<b>3. Operating profit</b> (loss is listed with "-")		847,367,442	875,802,510
Plus: Non-operating income	7.46	2,006,392	23,147,605
Minus: Non-operating expenses	7.47	1,392,362	186,568
<b>4. Total profits</b> (total loss is listed with "-")		847,981,472	898,763,547
Minus: Income tax expenses	7.48	211,979,735	228,752,790
<b>5. Net profit</b> (net loss is listed with "-")		636,001,737	670,010,757
5.1 Net profit from continuing operation (net loss is listed with "-")		636,001,737	670,010,757
5.2 Net profit from terminating operation (net loss is listed with "-")			
Net profit attributable to owner of the parent company		635,837,405	670,069,054
Minority interest income		164,332	-58,297
<b>6. Net after-tax amount of other comprehensive income</b>	7.49	-11,126,413	1,767,741
Net after-tax amount of other comprehensive income attributable to owner of the parent company		-9,230,820	1,458,809
6.1 Other comprehensive income not to be reclassified into profit and loss later			
6.1.1 Net liabilities or net assets change after remeasuring and resetting the benefit plans			
6.1.2 Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law			
6.2 Other comprehensive income to be reclassified into profit and loss later		-9,230,820	1,458,809
6.2.1 Share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law			
6.2.2 Profit and loss from changes in fair value of financial assets for sale			
6.2.3 Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale			
6.2.4 Effective part of profit and loss of cash-flow hedge			
6.2.5 Difference in translation of Foreign Currency Financial Statement		-9,230,820	1,458,809
6.2.6 Other			
Net after-tax amount of other comprehensive income attributable to minority shareholders		-1,895,593	308,932
<b>7. Total comprehensive income</b>		624,875,324	671,778,498
(1) Attributable to owner of the parent company		626,606,585	671,527,863
(2) Attributable to minority shareholders		-1,731,261	250,635
<b>8. Earnings per share</b>			
8.1 Basic earnings per share		0.93	0.98
8.2 Diluted earnings per share		0.93	0.98

Legal Representative: Zhou Hongjiang  
Jiang Jianxun

Accounting Supervisor: Jiang Jianxun

Accounting Department Manager:

## 2.4 Profit statement of the parent company

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Operating income</b>	15.4	408,845,211	831,820,503
Minus: Operating costs	15.4	352,646,989	737,950,378
Taxes and surcharges		24,463,375	48,865,790
Selling expenses			
Administrative expenses		40,187,747	40,078,068
Financial expenses		-15,151,608	9,292,969
Loss on impairment of assets			
Plus: Fair value change profit (loss is listed with "-")			
Investment profit (loss is listed with "-")	15.5	312,409,576	66,127,980
Including: Investment profit for joint-run business and joint venture			
Income from asset disposal (loss is listed with "-")		75,000	10,448
Other income		1,976,527	
<b>2. Operating profit</b> (loss is listed with "-")		321,159,811	61,771,726
Plus: Non-operating income		56,479	1,001,523
Minus: Non-operating expenses		528	20,257
<b>3. Total profits</b> (total loss is listed with "-")		321,215,762	62,752,992
Minus: Income tax expenses		2,450,592	-681,003
<b>4. Net profit</b> (net loss is listed with "-")		318,765,170	63,433,995
4.1 Net profit from continuing operation (net loss is listed with "-")		318,765,170	63,433,995
4.2 Net profit from terminating operation (net loss is listed with "-")			
<b>5. Net after-tax amount of other comprehensive income</b>			
5.1 Other comprehensive income not to be reclassified into profit and loss later			
5.1.1 Net liabilities or net assets change after remeasuring and resetting the benefit plans			
5.1.2 Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law			
5.2 Other comprehensive income to be reclassified into profit and loss later			
5.2.1 Share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law			
5.2.2 Profit and loss from changes in fair value of financial assets for sale			
5.2.3 Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale			
5.2.4 Effective part of profit and loss of cash-flow hedge			
5.2.5 Difference in translation of Foreign Currency Financial Statement			
5.2.6 Other			
<b>6. Total comprehensive income</b>		318,765,170	63,433,995
<b>7. Earnings per share</b>			
7.1 Basic earnings per share		0.47	0.09
7.2 Diluted earnings per share		0.47	0.09

Legal Representative: Zhou Hongjiang

Accounting Supervisor: Jiang Jianxun

Accounting Department Manager:

Jiang Jianxun

## 2.5 Consolidated cash flow statement

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		2,680,388,050	2,524,565,138
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from receiving insurance premium of original insurance contract			
Net cash received from reinsurance business			
Net increase in policy holder deposits and investment funds			
Net increase after disposal of financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Cash received from collecting interest, handling fees and commission			
Net increase in borrowings			
Net increase in repurchasement business funds			
Tax refund received		26,089,608	12,777,072
Other cash received related to operating activities	7.50	42,343,021	38,889,912
<b>Subtotal of cash flows of operating activities</b>		2,748,820,679	2,576,232,122
Cash paid for goods and services		677,552,938	640,732,974
Net increase in customer loans and advances			
Net increase in deposits in central bank and interbank deposits			
Cash paid to original insurance contract payments			
Cash paid to interest, handling fees and commission			
Cash paid to policy bonus			
Cash paid to and on behalf of employees		278,814,385	239,805,346
Cash paid for taxes and expenses		802,722,798	842,815,705
Other cash paid related to operating activities	7.50	436,977,086	432,517,778
<b>Sub-total of cash outflows of operating activities</b>		2,196,067,207	2,155,871,803
<b>Net cash flow from operating activities</b>		552,753,472	420,360,319
<b>2. Cash flow from investing activities:</b>			
Cash received from disinvestment			
Cash received from withdrawal of fixed deposits		305,000,000	3,000,000
Cash received from obtaining investment profit		2,342,015	25,550
Cash received from disposal of fixed assets, intangible assets and other long-term assets		471,130	237,161
Net cash received from disposal of branch and other business unit			
Other cash received related to investing activities			
<b>Subtotal of cash flows of investment activities</b>		307,813,145	3,262,711

Item	Note	Sum of current period	Sum of prior period
Cash paid to acquire fixed assets, intangible assets and other long-term assets		154,464,274	282,149,010
Cash for investment			
Cash paid for purchasing fixed deposits		340,000,000	201,000,000
Net increase in hypothecated loan			
Net cash paid for acquiring branch and other business unit		104,566,419	
Other cash paid related to investment activities	7.50		317,654,642
<b>Subtotal of cash outflows of investment activities</b>		599,030,693	800,803,652
<b>Net cash flow from investing activities</b>		-291,217,548	-797,540,941
<b>3. Cash flow from financing activities</b>			
Cash received from acquiring investment			48,396,726
Including: cash received from acquiring minority shareholders investment by branch			48,396,726
Cash received from acquiring loans		669,905,706	773,435,000
Cash received from issuing bonds			
Other cash received related to financing activities	7.50	23,521,431	1,303,473
<b>Subtotal cash flows of financing activities</b>		693,427,137	823,135,199
Cash paid for paying debts		658,512,141	451,386,980
Cash paid for distributing dividend and profit or paying interest		21,265,533	17,869,513
Including: dividend and profit paid to minority shareholders by branch			
Other cash paid related to financing activities	7.50	20,000,000	
<b>Subtotal of cash outflows of financing activities</b>		699,777,674	469,256,493
<b>Net cash flow from financing activities</b>		-6,350,537	353,878,706
<b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>		-7,404,199	-4,152,485
<b>5. Net Increase in cash and cash equivalents</b>		247,781,188	-27,454,401
Plus: balance at the beginning of the period of cash and cash equivalents		1,180,889,274	1,256,942,304
<b>6. Balance at the end of the period of cash and cash equivalents</b>		1,428,670,462	1,229,487,903

Legal Representative: Zhou Hongjiang    Accounting Supervisor: Jiang Jianxun    Accounting Department Manager: Jiang Jianxun

## 2.6 Cash flow statement of the parent company

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

Unit: Yuan

Item	Sum of current period	Sum of prior period
<b>1. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	275,862,358	570,587,513
Tax refund received		
Other cash received related to operating activities	100,163,394	385,490,644
<b>Subtotal of cash flows of operating activities</b>	376,025,752	956,078,157
Cash paid for goods and services	200,935,534	269,148,068
Cash paid to and on behalf of employees	43,647,320	52,895,854
Cash paid for taxes and expenses	43,132,327	169,319,730

Item	Sum of current period	Sum of prior period
Other cash paid related to operating activities	19,942,485	62,494,076
<b>Sub-total of cash outflows of operating activities</b>	<b>307,657,666</b>	<b>553,857,728</b>
<b>Net cash flow from operating activities</b>	<b>68,368,086</b>	<b>402,220,429</b>
<b>2. Cash flow from investing activities:</b>		
Cash received from disinvestment		
Cash received from withdrawal of fixed deposits	305,000,000	3,000,000
Cash received from obtaining investment profit	720,009,450	198,082,845
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	538,055.18	206,280
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
<b>Subtotal of cash flows of investment activities</b>	<b>1,025,547,505.18</b>	<b>201,289,125</b>
Cash paid to acquiring fixed assets, intangible assets and other long-term assets	11,968,401	3,295,270
Cash for investment	105,926,184	329,440,824.11
Cash paid for purchasing fixed deposits	340,000,000	104,999,999.89
Net cash paid for acquiring branch and other business unit		
Other cash paid related to investment activities		
<b>Subtotal of cash outflows of investment activities</b>	<b>457,894,585</b>	<b>437,736,094</b>
<b>Net cash flow from investing activities</b>	<b>567,652,920.18</b>	<b>-236,446,969</b>
<b>3. Cash flow from financing activities</b>		
Cash received from acquiring investment		
Cash received from acquiring loans	200,000,000	700,000,000
Cash received from issuing bonds		
Other cash received related to financing activities		
<b>Subtotal cash flows of financing activities</b>	<b>200,000,000</b>	<b>700,000,000</b>
Cash paid for debts	600,000,000	514,667,600
Cash paid to distribute dividend, profit or pay interest	11,660,417	9,720,581
Other cash paid related to financing activities		
<b>Subtotal of cash outflows of financing activities</b>	<b>611,660,417</b>	<b>524,388,181</b>
<b>Net cash flow from financing activities</b>	<b>-411,660,417</b>	<b>175,611,819</b>
<b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>		
<b>5. Net Increase in cash and cash equivalents</b>	<b>224,360,589.18</b>	<b>341,385,279</b>
Plus: balance at the beginning of the period of cash and cash equivalents	493,568,866	238,003,198
<b>6. Balance at the end of the period of cash and cash equivalents</b>	<b>717,929,455.18</b>	<b>579,388,477</b>

Legal Representative: Zhou Hongjiang  
Jiang Jianxun

Accounting Supervisor: Jiang Jianxun

Accounting Department Manager:

## 2.7 Consolidated owner's equity changing list

Unit: Yuan

Item	This period												
	Owners' equity of the parent company											Minority shareholders' equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Perpetual capital securities	Other									
1. Balance at the end of last year	685,464,000				565,955,441		3,109,240		342,732,000		7,309,081,618	271,636,379	9,177,978,678
Plus: Accounting policies changing													
Previous error correction													
Business combination under common control													
Other													
2. Balance at the beginning of this year	685,464,000				565,955,441		3,109,240		342,732,000		7,309,081,618	271,636,379	9,177,978,678
3. Increased or decreased amount in this period (reducing amount is listed with "-")							-9,230,820				635,837,405	15,055,540	641,662,125
3.1 Total comprehensive income							-9,230,820				635,837,405	-1,731,261	624,875,324
3.2 Owners' invested and reduced capital												17,532,822	17,532,822
3.2.1 Shareholders' invested common stock													
3.2.2 Other equity instrument holders' invested capital													
3.2.3 Amount of shares paid and reckoned in owners' equity													

3.2.4 Other												17,532,822	17,532,822
3.3 Profit distribution												-746,021	-746,021
3.3.1 Accrued surplus reserves													
3.3.2 Accrued general risk preparation													
3.3.3 Distribution to owners (or shareholders)												-746,021	-746,021
3.3.4 Other													
3.4 Internal transfer of owners' equity													
3.4.1 Capital reserves transferred and increased capital (or capital stock)													
3.4.2 Surplus reserves transferred and increased capital (or capital stock)													
3.4.3 Surplus reserves covering deficit													
3.4.4 Other													
3.5 Special reserves													
3.5.1 Withdrawal in this period													
3.5.2 Usage in this period													
3.6 Other													
4. Balance at the end of this period	685,464,000				565,955,441		-6,121,580		342,732,000		7,944,919,023	286,691,919	9,819,640,803

Unit: Yuan

Item	Prior period												
	Owners' equity of the parent company											Minority shareholders' equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Perpetual capital securities	Other									
1. Balance at the end of last year	685,464,000				565,955,441		-5,259,014		342,732,000		6,620,118,562	190,473,697	8,399,484,686
Plus: Accounting policies changing													
Previous error correction													
Business combination under common control													
Other													
2. Balance at the beginning of this year	685,464,000				565,955,441		-5,259,014		342,732,000		6,620,118,562	190,473,697	8,399,484,686
3. Increased or decreased amount in this period (reducing amount is listed with "-")							8,368,254				688,963,056	81,162,682	778,493,992
3.1 Total comprehensive income							8,368,254				1,031,695,056	3,594,080	1,043,657,390
3.2 Owners' invested and reduced capital												78,236,726	78,236,726
3.2.1 Shareholders' invested common stock													
3.2.2 Other equity instrument holders' invested capital													
3.2.3 Amount of shares paid and reckoned in owners' equity													
3.2.4 Other												78,236,726	78,236,726

3.3 Profit distribution											-342,732,000	-668,124	-343,400,124
3.3.1 Drew surplus reserves													
3.3.2 Drew general risk preparation													
3.3.3 Distribution to owners (or shareholders)											-342,732,000	-668,124	-343,400,124
3.3.4 Other													
3.4 Internal transfer of owners' equity													
3.4.1 Capital reserves transferred and increased capital (or capital stock)													
3.4.2 Surplus reserves transferred and increased capital (or capital stock)													
3.4.3 Surplus reserves covering deficit													
3.4.4 Other													
3.5 Special reserves													
3.5.1 Accrual in this period													
3.5.2 Usage in this period													
3.6 Other													
4. Balance at the end of this period	685,464,000				565,955,441		3,109,240		342,732,000		7,309,081,618	271,636,379	9,177,978,678

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

Unit: Yuan

Item	This period										
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	7,811,100,555	9,396,519,009
Plus: Accounting policies changing											
Previous error correction											
Other											
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	7,811,100,555	9,396,519,009
3. Increased or decreased amount in this period (reducing amount is listed with "-")										318,765,170	318,765,170
3.1 Total comprehensive income										318,765,170	318,765,170
3.2 Owners' invested and reduced capital											
3.2.1 Shareholders' invested common stock											
3.2.2 Other equity instrument holder' invested capital											
3.2.3 Amount of shares paid and reckoned in owners' equity											
3.2.4 Other											
3.3 Profit distribution											
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)											
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and											

increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	8,129,865,725	9,715,284,179

Unit: Yuan

Item	Prior period										
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	7,360,234,545	8,945,652,999
Plus: Accounting policies changing											
Previous error correction											
Other											
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	7,360,234,545	8,945,652,999
3. Increased or decreased amount in this period (reducing amount is listed with "-")										450,866,010	450,866,010
3.1 Total comprehensive income										793,598,010	793,598,010
3.2 Owners' invested and reduced capital											
3.2.1 Shareholders' invested common stock											
3.2.2 Other equity instrument holder' invested capital											

3.2.3 Amount of shares paid and reckoned in owners' equity											
3.2.4 Other											
3.3 Profit distribution										-342,732,000	-342,732,000
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)										-342,732,000	-342,732,000
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	7,811,100,555	9,396,519,009

### 3. Company profile

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

As at June 30, 2018, the Company issued 685,464,000 shares accumulatively. Refer to Note 7.33 for the details.

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

The financial statement and the consolidated financial statement of the Company were approved by the Board of Directors on August 28, 2018.

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

## 4. Preparation basis of financial statement

### 4.1 Preparation basis

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

#### Note-accounting basis and pricing principle

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

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

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

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

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

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

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

## **4.2 Continuous operation**

The Group has appraised the ability of continuous operation for 12 months from June 30, 2018, and no issues or situations causing major doubts to this ability are found. Therefore, this financial statement is prepared on the basis of the continuous operation assumption.

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

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

This financial statement fulfills the requirement of ASBE and gives a true and integrated view of the financial status and the consolidated financial status as at June 30, 2018, as well as the operating result, the consolidated operating result, the cash flow and the consolidated cash flow of the Company from January to June 2018.

### **5.2 Accounting period**

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

### **5.3 Operating cycle**

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

### **5.4 Recording currency**

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

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

## **non-common control**

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

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

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

The identifiable assets, liabilities and contingent liabilities which are obtained from the acquiree in the business combination and meet the recognition conditions shall be measured on the acquisition date according to the fair value thereof.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly re-assesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

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

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

The consolidation scope of the consolidated financial statement is determined on the basis of control. Control means that the investor holds the power in the invested party, obtains variable returns by

participating in relevant activities of the invested party and has the ability to affect the amount of the returns by using the power on the invested party. Once any change of the relevant facts and situations results in any change of relevant elements of the above definition of Control, the Group will carry out reappraisal.

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

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

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

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

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

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

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

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

## **5.8 Foreign currency transaction and foreign currency statement translation**

### **5.8.1 Foreign currency transaction**

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

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

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

### **5.8.2 Translation of foreign currency financial statement**

In order to compile a consolidated financial statement, the foreign currency financial statement of

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

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

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

## **5.9 Financial instruments**

When becoming a party to a contract of financial instruments, the Group shall recognize a financial asset or financial liability. The financial assets and financial liabilities shall be measured at their fair value at the time of initial recognition. For other categories of financial assets and financial liabilities, relevant transaction expenses thereof shall be included in the initially recognized amount.

### **5.9.1 Effective interest method**

The effective interest method refers to the method by which the amortized cost and the interest income or expenditure of different installments are calculated in light of the effective interest rates of the financial assets or financial liabilities (including a group of financial assets or financial liabilities). The effective interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset

or financial liability within the predicted term of existence or within a shorter applicable term into the current book value of the financial asset or financial liability.

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

## 5.9.2 Classification, recognition and measurement of financial assets

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

### Loans and accounts receivable

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

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

### Available-for-sale financial assets

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

and the investments which will be held to their maturity.

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

### 5.9.3 Impairment of financial assets

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

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

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

The debtor breaches any of the contractual stipulations, such as, failure to pay or delay of the payment of interest or principal;

The Group makes any concession due to economic, legal factors or other factors to the debtor which is in financial difficulties;

The debtor will probably become bankrupt or carry out other financial reorganizations;

The financial assets can no longer continue to be traded in an active market due to serious financial difficulties of the issuer;

It is impossible to identify whether the cash flow of a certain asset within a certain group of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the estimated future cash flow of the said group of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, including:

The payment ability of the debtor of the said group of financial assets worsens gradually;

The country or economic region where the debtor is situated has the conditions that may cause the financial assets to be unpaid.

A serious unfavourable change occurs to the operating technology, market, economic environment, legal environment of the issuer of the equity instruments that causes the investor of the equity instruments can't recover the investment costs;

The fair value of the equity instrument investment has serious or permanent decline;

Other objective evidence showing the depreciation of the financial assets.

#### Impairment of financial assets measured by amortized cost

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

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

#### Impairment of available-for-sale financial assets measured by cost

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

### 5.9.4 Transfer of financial assets

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

financial asset, the Group still waives the control over the financial asset.

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

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

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

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

#### **Other financial liabilities**

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

### **5.9.6 Derecognition of financial liabilities**

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

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

### **5.9.7 Offsetting financial assets and financial liabilities**

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

### **5.9.8 Equity instruments**

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

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

## **5.10 Accounts Receivable**

The Group believes that the individual receivables are all significant, and the corresponding receivables are individually tested for impairment, and individual recognition method is used to confirm bad debt provision.

## **5.11 Inventories**

### **5.11.1 Categories of inventories**

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

### **5.11.2 Valuation method of inventories upon delivery**

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

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

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

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

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

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

### **5.11.4 Inventory count system**

The perpetual inventory system is maintained for stock system.

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

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

## **5.12 Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period.

Non-current assets held for sale in non-current assets are not subject to depreciation or amortization.

## **5.13 Long term equity investments**

### **5.13.1 Basis for determining control, joint control and significant influence**

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

### **5.13.2 Determination of initial investment cost**

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

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

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

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

Long-term equity investment accounted for using the cost method

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

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

### **5.13.4 Disposal of long-term equity investments**

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

## **5.14 Investment properties**

Investment property is property held to earn rentals or for capital appreciation or both.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

## **5.15 Fixed assets**

### **5.15.1 Recognition criteria for fixed assets**

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

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

### **5.15.2 Depreciation of each category of fixed assets**

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

Classification	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line depreciation	20-40 years	0-5%	2.4%-5.0%
Machinery equipment	Straight-line depreciation	5-30 years	0-5%	3.2%-20.0%
Transportation tools	Straight-line depreciation	4-12 years	0-5%	7.9%-25.0%

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

### 5.15.3 Other explanations

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

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

### 5.16 Construction in progress

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

### 5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred. Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

### 5.18 Biological assets

The Group's biological assets are bearer biological assets.

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

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

Estimated Category	Estimated useful life	Annual residual rate	depreciation rate
Vines	20 years	-	5.0%

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

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

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

### 5.19 Intangible assets

Intangible assets include land use rights, software, etc.

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

Annual			
Item	Useful life	Net residual value	amortization rate
Land use rights	40-50 years	-	2.0%-2.5%
Software	5-10 years	-	10.0%-20.0%
Trademark	10 years	-	10.0%

Except for the above intangible assets with finite useful lives, the Group had also land use right and trademark with infinite useful lives. Land use right with infinite useful lives was related to the acquisition of permanent ownership held by Vi ña Indómita, S.A., Vi ña Dos Andes, S.A., and Bodegas Santa Alicia SpA. (collectively referred to as the "Chile Indomita Wine Group") according to related Chilean law and the acquisition of permanent ownership held by Kilikanoon Estate Pty Ltd (referred to as the "Australia Kilikanoon") according to related Australian law, for which there is no need to conduct amortization. Trademark was related to the Group acquired the Chile Indomita Wine Group,

which had no finite useful lives. The valuation of trademark was based on the trends in the market and competitive environment, product cycle, and managing long-term development strategy. Those basis indicated the trademark will provide net cash flows to the Group within a given period. Because it was hard to predict the period that it would bring economic benefits to the Group, the useful lives were uncertain.

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

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

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

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

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

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

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

## 5.21 Long term prepaid expenses

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

### Amortization period

Land requisition fee 50 years

Land lease prepayment 50 years

Greening fee 5-20 years

Leasehold improvement 3-5 years

Others 3 years

## 5.22 Employee benefits

### 5.22.1 Short-term employee benefits

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

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

### 5.22.2 Accounting treatments of retired benefits

Retired benefits of the Group are all predetermined provision plan.

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

### **5.22.3 Accounting treatments of termination benefits**

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

## **5.23 Revenue**

### **5.23.1 Revenue from sale of goods**

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

### **5.23.2 Revenue from rendering of services**

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

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

## **5.24 Government grants**

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

Monetary government grants are measured by the amount received or receivable.

### **5.24.1 Government grant related to an asset**

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

### **5.24.2 Government grant related to income**

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

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant is not related to the Group's daily activities is recognized in non-operating income and expenses.

The Company's government loans with below-market rate of interest are directly paid to the Company, and the related low rate interest will write off related borrowing costs. The government loans with below-market rate of interest obtained by other subsidiaries of the Group are government loans, which is provided by local bureau of finance through bank with below-market rate of interest. The actual amount of the loan received by the Group recognized as borrowings, and the related borrowing costs are calculated according to the principal of the loan and the below-market rate.

## **5.25 Deferred tax assets/deferred tax liabilities**

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

### **5.25.1 Current income tax**

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

### **5.25.2 Deferred tax assets and deferred tax liabilities**

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

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

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

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

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

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

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

### **5.25.3 Net off of income taxes**

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

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

## **5.26 Leases**

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

### **5.26.1 Operating lease accounting methods**

### The Group as lessee under operating leases

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

### The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

## **5.27 Changes in major accounting policies and accounting estimates**

### **5.27.1 Changes in major accounting policies**

No

### **5.27.2 Changes in major accounting estimates**

No

## **5.28 Others**

Critical judgments in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the application of accounting policies as set out in Note 4, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgments,

estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Significant accounting judgments and accounting estimates

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

#### Deferred tax assets

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

#### Depreciation

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

#### Useful life of intangible assets

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

When the estimated useful lives of finite intangible assets are shortened or extended, the amortization periods should be adjusted accordingly.

#### Impairment of long-term assets

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

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from an asset. As it is difficult for the Group to obtain the quoted market price of the assets (or assets group), the fair value of the assets cannot be reliably estimated. When the management make estimation on the expected future cash flows from the asset or cash generating unit, estimates should be made on choosing a suitable growth rate of sales, average gross profit, related operating costs and discount rate in order to calculate the present value of those cash flows, which has a high uncertainty.

#### Estimated provision for accounts receivable

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

#### Inventory provision based on net realizable value

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

The determination of the fair value of identifiable assets and liabilities associated with business combination.

For the cost of business combination, the Group allocates the purchase price based on fair value of

relatively identifiable assets and liabilities. When the fair value of relatively identifiable assets and liabilities are evaluated by the present value of its future cash flows, The management need estimate the growth rate of sales based on future market supply and demand to predict cash flows, and considered the proper discount rate for calculating, management need use major accounting estimates and judgments in the progress.

## 6. TAXES

### 6.1 The main taxes and tax rate are as follows:

Tax category	Taxation basis	Tax rate
Value added tax	Levied on the balance between the output tax calculated based on taxable income and the input tax allowed to be deducted in current period	16%, 10%, 6% (Chinese), 20% (France), 21% (Spain), 19% (Chile), 10% (Australia)
Consumption tax	Levied on taxable income	10%, 20% (Chinese)
City development tax	Levied on circulation tax actually paid	7% (Chinese)
Corporate income tax	Levied on taxable income	25%(Chinese), 33.3%(France), 28% (Spain), 27% (Chile), 30% (Australia)

### 6.2 Tax incentives and relative permit

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

Yantai Changyu Grape Growing Co., Ltd.("Grape Growing"), a branch of the Company, whose principal activity is grape growing is incorporated in Zhifu District, Yantai City, Shandong Province. According to clause 27 of PRC Corporate Income Tax and clause 86 of PRC Corporate Income Tax Measures for Implementation, Grape Growing enjoys an exemption of corporate income tax.

Xinjiang Tianzhu Co., Ltd ("Xinjiang Tianzhu"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Shihezi city, Xinjiang Weizu Autonomous. In accordance with the Notice on Tax Policy Issues concerning Further Implementation of the Western China Development Strategy (Cai Shui [2011] No.58), Xinjiang Tianzhu is qualified to enjoy preferential taxation policies, which means it can pay corporate income tax at a preferential rate of 15% for the period from 2015 to 2020.

Xinjiang Babao Baron Chateau Co., Ltd. ("Shihezi Chateau"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Shihezi city, Xinjiang Weizu Autonomous. In accordance with the Notice on Tax Policy Issues concerning Further Implementation of the Western China Development Strategy (Cai Shui [2011] No.58), Shihezi Chateau is qualified to enjoy preferential taxation policies, which means it can pay corporate income tax at a preferential rate of 15% for the period from 2015 to 2020.

## 7. Notes to consolidated financial statement

### 7.1 Monetary capital

Unit: Yuan

Item	Ending balance	Beginning balance
Cash on hand	151,228	136,973
Bank deposit	1,561,166,484	1,278,397,711
Other monetary capital	121,720,741	123,987,825
Total	1,683,038,453	1,402,522,509

As at June 30, 2018, the restricted bank deposit details are listed as follows:

Item	Ending balance	Beginning balance
Housing fund of the unit	2,647,250	2,645,410
Total	2,647,250	2,645,410

As at June 30, 2018, the details of other monetary funds are listed as follows:

Item	Ending balance	Beginning balance
Pledge of fixed deposits by Yantai Changyu Wine Research, Development and Manufacture Co., Ltd. ("R&D Company")	61,700,000	61,700,000
Guaranteed deposits paid for the letter of credit	57,946,190	57,946,190
Account balance of Alipay	1,743,116	4,317,635
Guaranty money for the unit card	321,435	14,000
Guaranty money for ICBC platform	10,000	10,000
Total	121,720,741	123,987,825

As at June 30, 2018, the bank deposits of the Group including short-term fixed deposits ranging from 3 months to 12 months amounted to RMB 130,000,000 Yuan (December 31, 2017: RMB 95,000,000 Yuan), with the interest rates ranging from 1.40% to 2.03%.

### 7.2 Bills receivable

#### 7.2.1 Classification of bills receivable

Unit: Yuan

Type	Ending balance	Beginning balance
Bank acceptance	367,210,884	244,796,818
Trade acceptance		
Total	367,210,884	244,796,818

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

Nil

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

Unit: Yuan

Item	Amount terminating recognition at the end of period	Amount not terminating recognition at the end of period
Bank acceptance	225,833,211	
Trade acceptance		
Total	225,833,211	

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

Nil

## 7.3 Accounts receivable

### 7.3.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable of significant single amount and single accrued bad debt provision	243,413,092	100.0%			243,413,092	263,796,355	100.0%			263,796,355
Accounts receivable accrued bad debt provision by credit risk features										
Accounts receivable of insignificant single amount and single accrued bad debt provision										
Total	243,413,092	100.0%			243,413,092	263,796,355	100.0%			263,796,355

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

As at June 30, 2018, the accounts receivable with ownership restrictions were RMB 35,016,424 Yuan

(December 31, 2017: RMB 46,337,062 Yuan). Please refer to Note 7.19 for details.

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

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

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

Nil

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

Unit: Yuan

Unit	Relationship with the Company	Amount	Period	Percentage in total accounts receivable
Nonggongshang Supermarket (Group) Co., Ltd.	Third party	11,250,509	Within 1 year	4.6%
Yantai Zhongya Medical Health Wine Co., Ltd.	Affiliated party	8,912,812	Within 1 year	3.7%
Lianhua Supermarket Holdings Co., Ltd.	Third party	8,263,237	Within 1 year	3.4%
Suguo Supermarket Co., Ltd.	Third party	5,812,309	Within 1 year	2.4%
Shanghai Lotus Supermarket Chain Store Co., Ltd.	Third party	5,694,902	Within 1 year	2.3%
Total	--	39,933,769	--	16.4%

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

Nil

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

Nil

## 7.4 Advance payment

### 7.4.1 Advance payment listed by age

Unit: Yuan

Age	Ending balance		Beginning sum	
	Amount	Proportion	Amount	Proportion
Within 1 year	3,122,797	100.0%	2,417,931	100.0%

1-2 years				
2-3 years				
More than 3 years				
Total	3,122,797	--	2,417,931	--

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

Unit: Yuan

Unit	Relationship with the Group	Amount	Age	Reason for unsettlement	Percentage in the total advance payment%
Yantai Power Supply Company of State Grid Shandong Electric Power Company	Third party	500,000	Within 1 year	Prepaid electricity purchasing fund	16.0%
Beijing Putianshou Trade Co., Ltd.	Third party	192,000	Within 1 year	Failure to receive the goods	6.1%
Qingdao Vinopro Trading Co., Ltd.	Third party	105,200	Within 1 year	Failure to receive the goods	3.4%
Xinjiang Xinyanmushen Technology Co., Ltd.	Third party	116,980	Within 1 year	Failure to receive the goods	3.7%
Yantai Bohong Industry & Trade Co., Ltd.	Third party	95,137	Within 1 year	Failure to receive the goods	3.0%
Total	--	1,009,317	--	--	32.2%

### 7.5 Interest receivable

#### 7.5.1 Classification of interest receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed deposit	1,218,373	240,968
Entrusted loan		
Bond investment		
Total	1,218,373	240,968

## 7.6 Other accounts receivable

### 7.6.1 Other accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Other accounts receivable of significant single amount and single accrued bad debt provision	16,500,022	100.0%			16,500,022	18,737,454	100.0%			18,737,454
Other accounts receivable accrued bad debt provision by credit risk features										
Other accounts receivable of insignificant single amount and single accrued bad debt provision										
Total	16,500,022	100.0%			16,500,022	18,737,454	100.0%			18,737,454

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

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

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

Nil

### 7.6.4 Other accounts listed by nature

Unit: Yuan

Nature	Ending book balance	Beginning book balance
Deposit and guaranty money receivable	11,240,442	10,075,901

Nature	Ending book balance	Beginning book balance
Imprest receivable	2,134,326	2,215,146
Investment receivable		2,050,000
Consumption tax and added-value tax export rebate	472,569	2,451,188
Other	2,652,685	1,945,219
Total	16,500,022	18,737,454

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

Unit: Yuan

Unit	Nature	Ending balance	Age	Percentage in total ending balance of other accounts receivable	Ending balance of bad debt provision
YEDA Construction Industry Association	Construction guaranty money	7,702,477	2-3 years	46.7%	
Beijing Shanshui Decoration Engineering Co., Ltd.	Advance electric charge receivable	465,460	1-2 years	2.8%	
Shaanxi Fangyuan Construction Engineering Co., Ltd.	Advance electric charge receivable	449,337	1-2 years	2.7%	
TRANSBANK	Deposit	324,029	Within 1 year	2.0%	
YEDA Finance Bureau	Guaranty money	198,056	1-2 years	1.2%	
Total	--	9,139,359	--	55.4%	

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

Nil

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

Nil

## 7.7 Inventories

### 7.7.1 Inventory classification

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	195,466,096		195,466,096	66,881,090		66,881,090

Goods in process	1,529,164,344		1,529,164,344	1,568,230,851		1,568,230,851
Commodity stocks	627,705,074	13,410,082	614,294,992	864,097,497	25,595,392	838,502,105
Total	2,352,335,514	13,410,082	2,338,925,432	2,499,209,438	25,595,392	2,473,614,046

## 7.7.2 Inventory depreciation provision

Unit: Yuan

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Accrual	Other	Transfer back or write-off	Other	
Raw materials						
Goods in process						
Commodity stocks	25,595,392	683,753		12,869,063		13,410,082
Total	25,595,392	683,753		12,869,063		13,410,082

## 7.8 Assets held for sale

Unit: Yuan

Item	Ending book value	Fair value	Estimated disposal expenses	Estimated disposal time
Zhenshantun collective apartment	2,000,197	16,282,224	3,878,560	2018
Total	2,000,197	16,282,224	3,878,560	--

The Company has signed an irrevocable agreement for disposing the fixed assets, and the contract amount is RMB 16,282,224 Yuan. The disposal is predicted to be completed in 2018.

## 7.9 Other current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Prepaid corporate income tax	101,768,819	22,911,298
Deductible input tax	259,484,264	206,529,504
Rent to be amortized	1,724,907	1,381,957
Total	362,977,990	230,822,759

## 7.10 Available-for-sale financial assets

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

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Available-for-sale financial instruments:						
Available-for-sale equity instruments:	463,880		463,880	467,251		467,251
Fair value measurement						
Cost measurement	463,880		463,880	467,251		467,251
Total	463,880		463,880	467,251		467,251

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

Unit: Yuan

Invested unit	Book balance				Impairment provision				Shareholding ratio in the invested unit	Cash dividend in this period
	Beginning	Increase in this period	Decrease in this period	Ending	Beginning	Increase in this period	Decrease in this period	Ending		
Other (Note)	467,251	5053	8424	463,880					Less than 1%	
Total	467,251	5053	8424	463,880					--	

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

## 7.11 Investment real estate

### 7.11.1 Investment real estate by cost measurement method

✓ Applicable ☐ Inapplicable

Unit: Yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I Original book value				
1. Beginning balance	38,347,283			38,347,283
2. Increase in this period				
2.1 Outsourcing				
2.2 Transfer in from inventories/fixed assets\ construction in progress				
2.3 Business merger increase				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance	38,347,283			38,347,283
II Accumulated depreciation & accumulated amortization				
1. Beginning balance	19,879,294			19,879,294
2. Increase in this period	590,610			590,610
2.1 Accrual or	590,610			590,610

Item	Houses and buildings	Land use right	Construction in progress	Total
amortization				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance	20,469,904			20,469,904
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance				
IV Book value				
1. Ending book value	17,877,379			17,877,379
2. Beginning book value	18,467,989			18,467,989

## 7.12 Fixed assets

### 7.12.1 Particulars of fixed assets

Unit: Yuan

Item	Houses and buildings	Machinery equipment	Transportation tools	Total
I Original book value:				
1. Beginning balance	4,508,868,684	2,247,350,293	28,689,415	6,784,908,392
2. Increase in this period	28,099,550	276,616,965	2,714,616	307,431,131
2.1 Acquisition	4,386,524	117,719,992	1,772,906	123,879,422
2.2 Transfer in from construction in progress		98,234,615		98,234,615
2.3 Business merger increase	23,713,026	60,662,358	941,710	85,317,094
2.4 Other				
3. Decrease in this period		7,556,503	3,521,487	11,077,990
3.1 Disposal or retirement		7,556,503	3,521,487	11,077,990
3.2 Other				
4. Ending balance	4,536,968,234	2,516,410,755	27,882,544	7,081,261,533
II Accumulated depreciation				
1. Beginning balance	512,643,486	922,944,520	20,236,417	1,455,824,423
2. Increase in this period	67,468,028	106,700,526	1,231,461	175,400,015
2.1 Accrual	65,844,058	72,709,493	559,369	139,112,920
2.2 Business merger increase	1,623,970	33,991,033	672,092	36,287,095
2.3 Other				
3. Decrease in this period		6,591,830	946,752	7,538,582

Item	Houses and buildings	Machinery equipment	Transportation tools	Total
3.1 Disposal or retirement		6,591,830	946,752	7,538,582
3.2 Other				
4. Ending balance	580,111,514	1,023,053,216	20,521,126	1,623,685,856
III Impairment provision				
1. Beginning balance				
2. Increase				
2.1 Accrual				
2.2 Other				
3. Decrease				
3.1 Disposal or retirement				
3.2 Other				
4. Ending balance				
IV Book value				
1. Ending book value	3,956,856,720	1,493,357,539	7,361,418	5,457,575,677
2. Beginning book value	3,996,225,198	1,324,405,773	8,452,998	5,329,083,969

As at June 30, 2018, the net value of the fixed assets with ownership restrictions was RMB 142,338,624 Yuan (December 31, 2017: RMB 145,009,923 Yuan). Please refer to Note 7.52 for details.

As at June 30, 2018, the net value of the fixed assets divided into those held for sale was RMB 2,000,197 Yuan (December 31, 2017: RMB 2,000,197 Yuan).

### 7.12.2 Temporarily idle fixed assets

Nil

### 7.12.3 Fixed assets under finance leases

Nil

### 7.12.4 Fixed assets under operating lease

Unit: Yuan

Item	Ending book value
Machinery equipment	199,791

### 7.12.5 Fixed assets without property certificates

Unit: Yuan

Item	Book value	Reason for not receiving the property certificate
Industrial Production Center of the R&D Company	1,623,153,949	Under transaction

Dormitory Building, Main Building and Reception Building of Chang'an Chateau	353,370,544	Under transaction
European Town, Main Building and Service Building of Beijing Chateau	190,443,678	Under transaction
Main Building of Yantai Chateau Changyu Tinlot	84,912,291	Under transaction
Fermentation Workshop and Wine Storage Workshop of Xinjiang Tianzhu	18,143,780	Under transaction
Office Building and Packaging Workshop of Icewine Valley	9,352,280	Under transaction
Wine-making Workshop of Changyu (Jingyang)	4,326,818	Under transaction
Office Building, Laboratory Building and Workshop of Fermentation Center	3,750,132	Under transaction
Finished Goods Warehouse and Workshop of Kylin Packaging	2,442,189	Under transaction
Office of Sales Company	2,021,311	Under transaction
Total	2,291,916,972	Under transaction

## 7.13 Construction in progress

### 7.13.1 Particulars of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Research, Development & Manufacture Center ("Changyu Wine City Complex")	835,624,055		835,624,055	883,731,540		883,731,540
Construction Project of Chang'an Chateau	48,016,036		48,016,036	53,290,036		53,290,036
Construction Project of Ningxia Chateau	47,902,668		47,902,668	35,711,269		35,711,269
Construction Project of Shihezi Chateau	29,221,272		29,221,272	25,463,724		25,463,724
Construction Project of Sales Company	14,205,640		14,205,640	11,355,685		11,355,685
Construction Project of Chateau Tinlot	17,689,488		17,689,488	5,819,246		5,819,246
Construction Projects of Other Companies	23,255,594		23,255,594	10,770,069		10,770,069
Total	1,015,914,753		1,015,914,753	1,026,141,569		1,026,141,569

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

Unit: Yuan

Item	Budget	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Other decrease in this period	Ending balance	Proportion of accumulated project input in budget	Accumulated capitalized amount of interest	Including : capitalized amount of interest in this period	Capitalization ratio of interest in this period	Capital source
Construction Project of Research, Development & Manufacture Center ("Changyu Wine City Complex")	4,505,780,000	883,731,540	39,381,914	87,489,399		835,624,055	72.5%	11,092,506	2,664,541	1.20% and 4.3%	Loans from financial institutions and self-raised funds
Construction Project of Chang'an Chateau	620,740,000	53,290,036	5,437,372	10,711,372		48,016,036	107.7%				Self-raised funds
Construction Project of Shihezi Chateau	780,000,000	25,463,724	3,757,548			29,221,272	92.0%				Self-raised funds
Construction Project of Sales Company	161,350,000	11,355,685	2,849,955			14,205,640	95.2%				Self-raised funds
Construction Project of Ningxia Chateau	41,415,000	35,711,269	12,191,399			47,902,668	128.0%				Self-raised funds
Construction Project of Chateau Tinlot	192,400,000	5,819,246	11,870,242			17,689,488	102.5%				Self-raised funds
Total	6,301,685,000	1,015,371,500	75,488,430	98,200,771		992,659,159	--	11,092,506	2,664,541		--

As at June 30, 2018, there was no indication for impairment of construction in progress of the Group, so no provision for impairment was made.

## 7.14 Productive biological assets

### 7.14.1 Productive biological assets by cost measurement method

Unit: Yuan

Item	Plantation		Total
	Immature	Mature	
I Original book value			
1. Beginning balance	12,175,000	217,537,353	229,712,353
2. Increase in this period	1,548,693	8,462,877	10,011,570
2.1 Outsourcing			
2.2 Self cultivation	5,131,006	4,880,564	10,011,570
2.3 The immature turn to the mature	-3,582,313	3,582,313	
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance	13,723,693	226,000,230	239,723,923
II Accumulated depreciation			
1. Beginning balance		27,782,465	27,782,465
2. Increase in this period		9,279,710	9,279,710
2.1 Accrual		9,279,710	9,279,710
2.2 Other			
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance		37,062,175	37,062,175
III Impairment provision			
1. Beginning balance			
2. Increase in this period			
2.1 Accrual			
2.2 Other			
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance			
IV Book value			
1. Ending book value	13,723,693	188,938,055	202,661,748
2. Beginning book value	12,175,000	189,754,888	201,929,888

As at June 30, 2018, no ownership of the biological assets was restricted.

As at June 30, 2018, there was no indication for impairment of biological assets of the Group, so no provision was made.

## 7.15 Intangible assets

### 7.15.1 Particulars of intangible assets

Unit: Yuan

Item	Land use right	Software use right	Trademark	Total
I Original book value				
1.Beginning balance	521,731,139	73,666,754	159,702,508	755,100,401
2. Increase in this period	7,089,292	3,228,127	9,167,907	19,485,326
2.1 Acquisition	999,745	1,183,404	211,645	2,394,794
2.2 Internal R&D				
2.3 Business merger increase	6,089,547	2,044,723	8,956,262	17,090,532
2.4 Other				
3. Decrease in this period				
3.1 Disposal				
3.2 Other				
4.Ending balance	528,820,431	76,894,881	168,870,415	774,585,727
II Accumulated amortization				
1.Beginning balance	67,547,772	21,516,741	10,586,991	99,651,504
2.Increase in this period	5,316,763	4,729,142	2,194,042	12,239,947
2.1 Accrual	5,316,763	4,056,496	2,194,042	11,567,301
2.2 Business merger increase		672,646		672,646
3.Decrease in this period				
3.1 Disposal				
3.2 Other				
4.Ending balance	72,864,535	26,245,883	12,781,033	111,891,451
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
2.2 Other				
3. Decrease in this period				
3.1 Disposal				
3.2 Other				
4. Ending balance				
IV Book value				

1. Ending book value	455,955,896	50,648,998	156,089,382	662,694,276
2. Beginning book value	454,183,367	52,150,013	149,115,517	655,448,897

As at June 30, 2018, the net value of the intangible assets with ownership restrictions was RMB 161,934,242 Yuan (December 31, 2017: RMB 164,051,996 Yuan). Please refer to Note 7.52 for details.

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

Nil

## 7.16 Goodwill

### 7.16.1 Original book value of goodwill

Unit: Yuan

Name of the invested unit or matter forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed by business merger	Other	Disposal	Other	
Etablissements Roulet Fransac ("Roulet Fransac")	13,112,525					13,112,525
Dicot Partners, S.L ("Atrio Group")	92,391,901					92,391,901
Societe Civile Agricole Du Chateau De Mirefleurs ("Mirefleurs")	15,761,440					15,761,440
Indomita Wine Company Chile, SpA	6,870,115					6,870,115
Kilikanoon Estate, Australia		35,794,894				35,794,894
Total	128,135,981	35,794,894				163,930,875

## 7.17 Long-term unamortized expenses

Unit: Yuan

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease	Ending balance
Land lease fees	56,365,385		719,454		55,645,931
Land acquisition fees	43,976,036		569,650		43,406,386
Afforestation fees	125,628,334	6,101,637	6,526,355		125,203,616
Renovation costs	873,263		109,158		764,105
Other	3,166,213		192,827		2,973,386
Total	230,009,231	6,101,637	8,117,444		227,993,424

## 7.18 Deferred income tax assets/liabilities

### 7.18.1 Un-offset deferred income tax assets

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	13,410,082	3,352,521	25,595,392	6,398,848
Unrealized profits from inter-company transactions	585,312,988	146,328,247	618,591,681	154,647,920
Deductible loss	300,198,853	77,339,305	345,639,059	88,584,337
Unpaid bonus	59,305,392	14,853,004	94,462,722	23,671,611
Dismission welfare	20,405,213	5,101,303	27,980,857	6,995,214
Deferred income	108,652,154	23,832,078	109,797,054	24,285,203
Asset valuation impairment	673,019	181,715	684,622	184,848
Accrued promotional expenses			13,413,655	3,353,415
Total	1,087,957,701	270,988,173	1,236,165,042	308,121,396

### 7.18.2 Un-offset deferred income tax liabilities

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets appraisal appreciation in business merger under non-common control	105,651,986	26,020,063	89,316,823	24,264,203
Changes in fair value of available-for-sale financial assets				
Total	105,651,986	26,020,063	89,316,823	24,264,203

### 7.18.3 Details of unconfirmed deferred income tax assets

Unit: Yuan

Item	Ending balance	Beginning balance
Deductible loss	157,307,221	150,320,039
Total	157,307,221	150,320,039

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

Unit: Yuan

Year	Ending sum	Beginning sum	Remark
2019	7,311,273	7,311,273	
2020	45,960,766	45,960,766	

2021	82,685,213	82,685,213	
2022	14,362,787	14,362,787	
2023	6,987,182		
Total	157,307,221	150,320,039	--

## 7.19 Short-term loans

### 7.19.1 Classification of short-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	54,882,050	65,939,662
Guaranteed loan	43,544,169	
Fiduciary loan	652,028,457	648,494,624
Total	750,454,676	714,434,286

As at June 30, 2018, the mortgage loan referred to the factoring business for accounts receivable of EUR 4,576,413 (equivalent to RMB 35,016,424 Yuan) that **Hacienda y Vinedos Marques del Atrio, S.L.U.** (“Marques del Atrio”) transacted in such banks as Banco de Sabadell, S.A. (December 31, 2017: RMB 46,337,062 Yuan), and a loan of USD 3,000,000 (equivalent to RMB 19,865,626 Yuan) that Indomita Wine Company Chile, SpA from BBVA bank by mortgage of fixed assets of CLP 3,139,045,000 (equivalent to RMB 31,704,355 Yuan) (December 31, 2017: RMB 19,602,600 Yuan).

By means of overseas loan under domestic guarantee, the Company opened a financing guarantee with the credit line of domestic bank to provide a guarantee for the loan of AUD 8,953,626 (equivalent to RMB 43,544,169 Yuan) of Kilikanoon Estate, Australia. The letter of guarantee came into effect from January 17, 2018 and will expire on January 15, 2019.

## 7.20 Accounts payable

### 7.20.1 List of accounts payable

Unit: Yuan

Item	Ending balance	Beginning balance
Within one year	502,094,548	664,020,176
From one year to two years	2,408,743	2,051,592
From two years to three years	1,097,233	371,111
Over three years	256,431	
Total	505,856,955	666,442,879

### 7.20.2 Explanation of significant accounts payable aged more than one year

As at June 30, 2018, there were no significant accounts payable aged more than one year.

## 7.21 Advances from customers

### 7.21.1 List of advances from customers

Unit: Yuan

Item	Ending sum	Beginning sum
Within one year	356,522,984	340,025,690
From one year to two years	2,894,155	7,072,254
From two years to three years	3,285,740	381,463
Over three years	3,652,401	3,414,749
Total	366,355,280	350,894,156

### 7.21.2 Advances from customers of significant amount aged more than one year

As at June 30, 2018, the Company had no advances from customers of significant amount aged more than one year.

## 7.22 Employee remunerations payable

### 7.22.1 List of employee remunerations payable

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Short-term remuneration	182,545,284	218,523,367	244,584,113	156,484,538
2. Post-employment welfare – defined contribution plan	298,093	26,186,535	25,379,241	1,105,387
3. Dismissal welfare	27,980,857	1,275,387	8,851,031	20,405,213
4. Other welfare due within one year				
Total	210,824,234	245,985,289	278,814,385	177,995,138

### 7.22.2 List of short-term remunerations

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Salaries, bonuses, allowances and subsidies	185,014,318	194,859,167	220,953,405	158,920,080
2. Staff welfare	2,116,475	4,592,350	5,304,548	1,404,277
3. Social insurance charges	524,316	11,468,383	10,938,536	1,054,163
Including: Medical insurance	524,316	9,928,407	9,411,157	1,041,566
Injury insurance		819,706	807,109	12,597
Maternity insurance		720,270	720,270	
4. Housing fund	39,256	5,680,880	5,709,726	10,410
5. Union fee and staff education fee	2,060,231	1,922,587	2,038,363	1,944,455

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
6. Short-term compensated absences				
7. Short-term profit-sharing plan				
Minus: Those divided into non-current liabilities	7,209,312		360,465	6,848,847
Total	182,545,284	218,523,367	244,584,113	156,484,538

### 7.22.3 List of defined contribution plan

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic endowment insurance	297,591	25,034,196	24,821,104	510,683
2. Unemployment insurance	502	1,152,339	558,137	594,704
3. Enterprise annuity payment				-
Total	298,093	26,186,535	25,379,241	1,105,387

### 7.22.4 Dismission welfare

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Compensation for server of labor relation		1,275,387	1,275,387	
2. Compensation for early retirement	27,980,857		7,575,644	20,405,213
Total	27,980,857	1,275,387	8,851,031	20,405,213

### 7.23 Taxes payable

Unit: Yuan

Item	Ending balance	Beginning balance
Value added tax	15,404,619	35,681,696
Consumption tax	12,373,243	44,961,022
Corporate income tax	35,771,016	38,834,293
Individual income tax	804,004	7,805,917
Urban maintenance and construction tax	1,542,643	5,669,280
Property tax	3,976,184	4,647,644
Urban land use tax	2,493,549	2,645,687
Other	1,494,489	4,848,617
Total	73,859,747	145,094,156

### 7.24 Interest payable

Unit: Yuan

Item	Ending balance	Beginning balance
Interest of long-term loans with interest paid by		

Item	Ending balance	Beginning balance
installment and principal paid on maturity		
Interest of corporate bonds		
Interest payable of short-term loans	834,247	771,250
Interest of preferred shares\ perpetual bonds divided into financial liabilities		
Other		
Total	834,247	771,250

## 7.25 Dividends payable

Unit: Yuan

Item	Ending balance	Beginning balance
Ordinary stock dividends		
Preferred stock dividends/sustainable debt dividends divided into equity instruments		
Other	746,021	
Total	746,021	

## 7.26 Other payables

### 7.26.1 Other payables listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
Dealer's deposit payable	153,278,830	139,710,963
Equipment purchase and construction costs payable	112,120,286	130,706,777
Transportation charges payable	13,329,596	27,847,092
Trademark use fees payable for Changyu Group Company	45,965,699	77,208,929
Advertising expenses payable	243,506,777	132,248,615
Employee cash deposit	7,199,282	13,327,132
Supplier's deposit payable	11,909,254	3,082,595
Contracting fees payable	26,669,423	38,070,571
Other	57,728,768	40,761,645
Total	671,707,915	602,964,319

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

Unit: Yuan

Item	Ending balance	Cause of unpayment or carry-over
Beijing Qinglang Ecological Agriculture Technology Development	7,033,763	The contracting fees haven't been settled
Yantai De'an Investment Co., Ltd.	3,218,174	The contracting fees haven't been settled
Total	10,251,937	--

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

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term loans due within one year	106,570,388	76,954,827
Long-term accounts payable due within one year	34,000,000	34,000,000
Total	140,570,388	110,954,827

**7.28 Other current liabilities**

Unit: Yuan

Item	Ending balance	Beginning balance
Deferred income	16,311,727	16,878,199
Total	16,311,727	16,878,199

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

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	7,528,121	6,693,544
Guaranteed loan	75,000,000	81,250,000
Fiduciary loan	71,437,070	68,182,310
Total	153,965,191	156,125,854

Description of the classification of long-term loans:

Unit: Yuan

Item	Ending balance	Long-term loan due within one year	Long-term loan due over one year
Pledge loan			
Mortgage loan	7,528,121		7,528,121
Guaranteed loan	100,000,000	25,000,000	75,000,000
Fiduciary loan	153,007,458	81,570,388	71,437,070
Total	260,535,579	106,570,388	153,965,191

As at June 30, 2018, the guaranteed loan referred to the long-term loan of RMB 100,000,000 Yuan borrowed by the Company for the R&D Company by means of credit guarantee (December 31, 2017: RMB 100,000,000 Yuan), and the mortgage loan referred to the loan of EUR 679,560 (equivalent to RMB 5,199,656 Yuan) borrowed from Popular Español by Marques del Atrio by mortgage of its fixed assets of EUR 4,264,170 (equivalent to RMB 32,627,300 Yuan) (December 31, 2017: RMB 9,502,372 Yuan). Kilikanoon Estate, Australia borrowed a loan of AUD 478,783 (equivalent to RMB 2,328,465 Yuan) by pledge of its fixed assets of AUD 503,163 (equivalent to RMB 2,447,034 Yuan) from NAB bank (December 31,

2017: Nil).

### 7.30 Long-term accounts payable

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

Unit: Yuan

Item	Ending balance	Beginning balance
China Agricultural Development Key Construction Fund	235,000,000	259,000,000
Total	235,000,000	259,000,000

In 2016, Agricultural Development Fund invested RMB 305,000,000 Yuan in the R&D Company, accounting for 37.9% of the registered capital. According to the investment agreement, it is agreed that Agricultural Development Fund will take back the investment fund in ten years and obtain fixed income according to year, which is 1.2% of the remaining principal. Except for the above fixed income, the Agricultural Development Fund shall not enjoy other profits of the R&D Company or bear the losses of the R&D Company. Accordingly, the investment of the Agricultural Development Fund in the R&D Company is equity investment nominally, which is debt investment in deed. The Group included the investment of the Agricultural Development Fund in long-term accounts payable measured by amortized cost. In 2017, the Group gave back the principal of RMB 12,000,000 Yuan. From January to June 2018, the Group gave back the principal of RMB 24,000,000 Yuan, and the mortgaged and pledged assets included monetary capital of RMB 61,700,000 Yuan, fixed assets of RMB 75,559,935 Yuan, and intangible assets of RMB 161,934,242.

Unit: Yuan

Balance of long-term accounts payable	Long-term accounts payable due within one year	Long-term accounts payable due in one year later
269,000,000	34,000,000	235,000,000

### 7.31 Deferred income

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Forming reason
Governmental subsidy	109,797,054	8,200,000	9,344,900	108,652,154	
Minus: Those included in current liabilities	16,878,199			16,311,727	--
Non-current liabilities	92,918,855			92,340,427	--

### Projects related to governmental subsidy

Unit: Yuan

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Amount included in other income in this period	Amount offset the cost expenses	Other changes	Ending balance	Related to assets/income
Grape bulk wine brewing project	4,739,400			717,450			4,021,950	Related to assets
Reward for investment in fixed assets of Chateau Shihezi project	9,276,600			1,140,000			8,136,600	Related to assets
Industrial revitalization and technical transformation project in Xinjiang	17,064,000			711,000			16,353,000	Related to assets
Special subsidy for supporting infrastructure	5,300,000			530,000			4,770,000	Related to assets
Industrial revitalization and technical transformation project in Ningxia	1,086,000			1,086,000				Related to assets
Tourism development fund subsidy project	500,000						500,000	Related to income
Supporting fund for corporate development	10,200,000						10,200,000	Related to income
Construction project of grape brewing production capacity (Huanren)	3,600,000			200,000			3,400,000	Related to assets
Electronic traceability system project of wine	3,192,311			333,527			2,858,784	Related to assets
Transferred fund of Propaganda Department, Miyun County Committee	888,945			444,472			444,473	Related to assets
Wine industry development project	744,000			93,000			651,000	Related to assets
Peninsula blue economic zone construction project	8,000,000			1,000,000			7,000,000	Related to assets
Technical transformation project of information-based system construction engineering	3,480,000			290,000			3,190,000	Related to assets
Cross-border e-commerce project	702,615	300,000					1,002,615	Related to income
Research project of red wine phenolic substances	284,601						284,601	Related to income
Grape base construction project	520,000			260,000			260,000	Related to assets
Fund for water pollution treatment project	320,132			56,801			263,331	Related to income
Infrastructure	1,843,750			62,500			1,781,250	Related to assets

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Amount included in other income in this period	Amount offset the cost expenses	Other changes	Ending balance	Related to assets/income
construction fund								
Supporting fund for industrial development	36,900,000			2,050,000			34,850,000	Related to assets
Subsidy for economic and energy-saving technical transformation project	1,154,700			64,150			1,090,550	Related to assets
Special fund for building Yantai as a strong manufacturing city		4,750,000					4,750,000	Related to income
Efficient water-saving irrigation project		3,150,000		306,000			2,844,000	Related to assets
Total	109,797,054	8,200,000		9,344,900			108,652,154	--

### 7.32 Other non-current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Employee remunerations payable	6,848,847	7,209,312
Total	6,848,847	7,209,312

As at June 30, 2018, the employee remunerations payable referred to the job security deposit deducted from the year-end bonus of the employees higher than sales manager of the Company in proportion, which will be paid from 2019 to 2021 as predicted.

### 7.33 Share capital

Unit: Yuan

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

### 7.34 Capital reserves

Unit: Yuan

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

### 7.35 Other comprehensive income

Unit: Yuan

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount incurred before income tax in this period	Minus: profit or loss in this period transferred from other comprehensive income before	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Other comprehensive income not to be reclassified into profit and loss later							
Including: change in net liabilities and net assets from recalculated defined benefit plan							
Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law							
2. Other comprehensive income to be reclassified into profit and loss later	3,109,240	-11,126,413			-9,230,820	-1,895,593	-6,121,580
Including: share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law							
Profit and loss from changes in fair value of financial assets for sale							
Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale							
Effective part of profit and loss of cash-flow hedge							
Difference in translation of Foreign Currency Financial Statement	3,109,240	-11,126,413			-9,230,820	-1,895,593	-6,121,580
Total other comprehensive income	3,109,240	-11,126,413			-9,230,820	-1,895,593	-6,121,580

### 7.36 Surplus reserves

Unit: Yuan

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

### 7.37 Undistributed profit

Unit: Yuan

Item	Ending balance	Beginning balance
Undistributed profit at the end of prior period before adjustment	7,309,081,618	6,620,118,562
Total Undistributed profit at the beginning of the period before adjustment (increase listed with +, and decrease listed with -)		
Undistributed profit at the beginning of the period after adjustment	7,309,081,618	6,620,118,562
Plus: Net profit for owner of the parent company	635,837,405	1,031,695,056
Minus: Drawn legal surplus		
Drawn free surplus		
Drawn common risk provision		
Common dividend payable		342,732,000
Common dividend transferred to share capital		
Undistributed profit at the end of period	7,944,919,023	7,309,081,618

### 7.38 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	2,818,814,912	969,407,949	2,761,797,479	921,629,225
Other business	9,415,152	5,149,343	5,300,718	4,124,908
Total	2,828,230,064	974,557,292	2,767,098,197	925,754,133

### 7.39 Taxes and surcharges

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Consumption tax	97,343,463	87,580,364
Urban maintenance and construction tax	23,778,056	30,288,028
Education surcharges	17,417,976	21,968,359
Building tax	16,878,556	9,993,265
Land use tax	6,013,248	5,092,473
Stamp duty	2,247,814	1,970,707
Other	1,597,138	3,580,802
Total	165,276,251	160,473,998

**7.40 Selling expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Advertising promotion expenses	362,293,691	353,792,438
Employee remunerations	139,247,494	115,463,193
Transportation expenses	67,177,736	64,053,872
Trademark use fees	43,363,867	44,428,033
Storage and lease expenses	19,857,616	27,357,293
Depreciation expenses	21,735,895	19,740,726
Service charges	12,459,237	6,734,393
Travel expenses	10,886,711	10,036,717
Water, electricity and gas charges	7,166,936	3,572,499
Office & postage costs	2,349,806	2,479,541
Packing expenses	3,873,287	3,140,528
Public security & clean-keeping expenses	2,336,546	2,532,418
Business entertainment expenses	1,995,516	1,190,071
Afforestation fees	1,177,756	1,342,117
Property management expenses	1,291,390	1,348,857
Other	13,445,549	11,523,030
Total	710,659,033	668,735,726

**7.41 Management expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Employee remunerations	60,660,238	45,732,792
Depreciation expenses	35,410,914	28,996,760
Contracting expenses	7,178,106	10,086,436
Repair expenses	7,076,148	5,768,634
Office expenses	10,977,189	8,693,956
Amortization expenses	9,520,182	9,569,693
Afforestation fees	6,493,556	3,893,103
Rental expenses	5,061,778	5,095,023
Business entertainment expenses	2,815,060	2,562,180
Public security & clean-keeping expenses	3,953,646	2,787,735
Travel expenses	2,139,939	2,650,716
Other	8,805,132	4,705,358
Total	160,091,888	130,542,386

**7.42 Financial expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Interest expenditure	18,739,528	15,042,038
Minus: Interest income	7,245,870	4,849,166

Plus: Commission charges	3,005,483	754,300
Exchange gain or loss	-1,413,199	200,777
Total	13,085,942	11,147,949

### 7.43 Loss on impairment of assets

Item	Amount incurred in this period	Amount incurred in prior period
1. Loss on bad debts		
2. Inventory falling price loss	-4,730,948	-5,853,576
3. Loss on impairment of available-for-sale financial assets		
4. Loss on impairment of held-to maturity investment		
5. Loss on impairment of long-term equity investment		
6. Loss on impairment of investment real estate		
7. Loss on impairment of fixed assets		
8. Loss on impairment of engineering materials		
9. Loss on impairment of construction in progress		
10. Loss on impairment of productive biological assets		
11. Loss on impairment of oil and gas assets		
12. Loss on impairment of intangible assets		
13. Loss on impairment of goodwill		
14. Other		
Total	-4,730,948	-5,853,576

### 7.44 Income from asset disposal

Unit: Yuan

Source of income from asset disposal	Amount incurred in this period	Amount incurred in prior period
Income from disposal of fixed assets	93,958	-495,071
Total	93,958	-495,071

### 7.45 Other income

Unit: Yuan

Source of other income	Amount incurred in this period	Amount incurred in prior period	Nature
Supporting fund for industrial development	2,050,000		Related to assets
Industrial revitalization and technical transformation project in Ningxia	1,086,000		Related to assets
Reward for investment in fixed assets	1,140,000		Related to assets
Special fund for construction of peninsula blue economic zone	1,000,000		Related to assets
Other	4,012,100		Related to assets
Tax returns	15,011,673		Related to income
Other	13,683,105		Related to income

Source of other income	Amount incurred in this period	Amount incurred in prior period	Nature
Total	37,982,878		

## 7.46 Non-operating income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Gains on debt recombination			
Gains on exchange of non-monetary assets			
Grains on donations			
Governmental subsidy		19,735,204	
Other	2,006,392	3,412,401	2,006,392
Total	2,006,392	23,147,605	2,006,392

Governmental subsidies included in the current profit/loss:

Unit: Yuan

Item of subsidy	Amount incurred in this period	Amount incurred in prior period	Related to assets/income
Supporting fund of major projects		3,520,914	Related to assets
Supporting fund for the development of small and medium-sized enterprises		2,086,027	Related to assets
Tax returns		12,737,950	Related to income
Other		1,390,313	Related to income
Total		19,735,204	--

## 7.47 Non-operating expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Loss on debt recombination			
Loss on exchange of non-monetary assets			
Donation			
Fine, penalty and overdue fine paid due to violation of laws and administrative regulations	1,187,713	170,997	1,187,713
Other	204,649	15,571	204,649
Total	1,392,362	186,568	1,392,362

## 7.48 Income tax expenses

### 7.48.1 List of income tax expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior
Current income tax expenses	178,993,081	195,716,215
Deferred income tax expenses	32,986,654	33,036,575
Total	211,979,735	228,752,790

### 7.48.2 Adjustment process of accounting profit and income tax expenses

Unit: Yuan

Item	Amount incurred in this period
Total profit	847,981,472
Income tax expenses calculated according to the legal/applicable tax rate	211,995,368
Influence of different tax rates applicable to subsidiary	-3,617,656
Influence of income tax in the term before adjustment	200,814
Influence of nontaxable income	
Influence of non-deductible costs, expenses and losses	1,654,413
Influence of deductible loss from use of unconfirmed deferred income tax assets in prior period	
Influence of deductible temporary difference or deductible loss of unconfirmed deferred income tax assets in this period	1,746,796
Income tax expense	211,979,735

## 7.49 Other comprehensive income

See details in Note 7.35.

## 7.50 Items of cash flow statement

### 7.50.1 Other cash received related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Governmental subsidy income	33,687,978	1,570,329
Interest income	3,555,019	3,007,182
Net amercement income	1,609,829	1,173,364
Withdrawal of cash deposit for bills payable		30,900,000
Other	3,490,195	2,239,037
Total	42,343,021	38,889,912

**7.50.2 Other cash paid related to operating activities**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Selling expenses	387,846,396	352,845,674
Administrative expenses	45,235,101	43,700,254
Refundable deposits		35,030,980
Other	3,895,589	940,870
Total	436,977,086	432,517,778

**7.50.3 Other cash paid related to investment activities**

Unit: Yuan

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

**7.50.4 Other cash received related to financial activities**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Government subsidies received related to assets	3,150,000	1,000,000
Interest income from pledge of fixed deposits by the R&D Company	371,431	303,473
Long-term loans from pledge of fixed deposits by R&D Company	20,000,000	
Total	23,521,431	1,303,473

**7.50.5 Other cash paid related to financial activities**

Unit: Yuan

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

**7.51 Supplementary information to cash flow statement****7.51.1 Supplementary information to cash flow statement**

Unit: Yuan

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	636,001,737	670,010,757
Plus: Provision for impairment of assets	-4,730,948	-5,853,576
Depreciation of fixed assets, oil-and-gas assets and productive biological assets	148,983,240	132,923,630

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
Intangible assets amortization	11,567,301	9,588,347
Amortization of long term prepaid expenses	8,117,444	5,221,889
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with “—”)	-93,958	495,071
Losses on retirement of fixed assets (profit listed with “—”)		
Losses on fair value change (profit listed with “—”)		
Financial costs (profit listed with “—”)	15,048,678	15,086,410
Investment losses (profit listed with “—”)		
Decrease in deferred income tax assets (increase listed with “-”)	37,133,223	36,092,247
Increase of deferred income tax liabilities (decrease listed with “—”)	-4,146,569	-3,055,672
Decrease in inventories (increase listed with “-”)	216,486,236	230,160,387
Decrease in operating receivables (increase listed with “-”)	-305,623,146	-345,259,383
Increase in operating payable (decrease listed with “-”)	-205,989,766	-325,049,788
Other		
Net cash flows from operating activities	552,753,472	420,360,319
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
Debt transferred into assets		
Convertible corporate bond due within 1 year		
Fixed assets under financing lease		
3. Net changes of cash and cash equivalent:	--	--
Ending balance of cash	1,428,670,462	1,229,487,903
Minus: Beginning balance of cash	1,180,889,274	1,256,942,304
Plus: Ending balance of cash equivalent		
Minus: Beginning balance of cash equivalent		
Net increase amount of cash and cash equivalent	247,781,188	-27,454,401

### 7.51.2 Composition of cash and cash equivalents

Unit: Yuan

Item	Ending balance	Beginning balance
1. Cash	1,428,670,462	1,229,487,903
Including: Cash on hand	151,228	112,832
Bank deposits on demand	1,428,519,234	1,229,375,071
Other monetary capital on demand		
Due from central bank available for payment		
Due from the industry		
Inter-bank lending		
2. Cash equivalents		
Including: Bond investment due within three months		
3. Balance of cash and cash equivalents at the end of period	1,428,670,462	1,229,487,903

Including: Restricted use of parent company or subsidiaries in the group		
--	--	--

## 7.52 Assets with ownership or use right restrictions

Unit: Yuan

Item	Ending book value	Reason for restriction
Monetary capital	124,367,991	Loan deposit, L/C deposit, frozen balance of Alipay, housing fund and guaranty money for deposit in unit card
Accounts receivable	35,016,424	Pledge of short-term loans
Fixed assets	142,338,624	Pledge of short-term loans, long-term loans and long-term accounts payable
Intangible assets	161,934,242	Pledge of long-term accounts payable
Total	463,657,281	--

## 7.53 Foreign currency monetary items

### 7.53.1 Foreign currency monetary items

The foreign currency monetary items of the Group in domestic entities of China are listed as follows:

Unit: Yuan

Item	Ending foreign currency balance	Translation exchange rate	Ending converted RMB balance
Monetary capital	--	--	39,366,401
Including: USD	5,949,495	6.6166	39,365,429
EUR	127	7.6515	972
HKD			

### 7.53.2 Overseas operational entities

The currency adopted by the overseas subsidiaries of the Company according to the main economic environment where the operation is located shall be chosen as the recording currency. Marques del Atrio and Francs Champs Participations SAS (“Francs Champs”) both use euro as the recording currency, Indomita Wine Company Chile, SpA uses Chilean peso as the recording currency, and Kilikanoon Estate, Australia uses Australian dollar as the recording currency. The foreign currency assets or liabilities of overseas subsidiaries are listed as follows:

Unit: Yuan

Item	Ending foreign currency balance	Translation exchange rate	Ending converted RMB balance
Monetary capital	--	--	41,202,833
Including: USD	6,169,166	6.6166	40,818,904
EUR	50,177	7.6515	383,929
HKD			
Short-term loans	--	--	59,549,400
Including: USD	9,000,000	6.6166	59,549,400
EUR			
HKD			

## 8. Changes in scope of consolidation

### 8.1 Business merger under non-common control incurred in this period

Unit: Yuan

Name of the purchased	Time of equity acquisition	Cost of equity acquisition	Shareholding ratio	Way of equity acquisition	Purchasing date	Determination basis of the purchasing date	Income of the purchased from the purchasing date to the end of this period	Net profit of the purchased from the purchasing date to the end of this period
Kilikanoon Estate Pty Ltd ("Kilikanoon Estate, Australia")	January 18, 2018	105,926,184	80%	Purchase	January 18, 2018	The Company acquired the control right over the merged party on the date of purchase.	25,904,401	-115,317

According to the *Equity Transfer Contract* signed between the Company and the shareholders of Kilikanoon Estate, Australia, the Company purchased 80% of the shares held by Kilikanoon Estate, Australia with AUD 20,605,000 (equivalent to RMB 105,926,184 Yuan). On January 18, 2018, the preconditions for full equity transfer were fulfilled, and the Company acquired the control right over the finance and business policy of Kilikanoon Estate, Australia.

#### 8.1.2 Combined cost and goodwill

Unit: Yuan

Combined cost	Kilikanoon Estate, Australia
--Cash	105,926,184
-- Fair value of the non-cash assets	
-- Fair value of the issued or assumed debts	
-- Fair value of the issued equity securities	
-- Fair value of the contingent consideration	
-- Fair value of the stock equity held before the purchasing date on the purchasing date	
--Other	
Total combined cost	105,926,184
Minus: Fair value share of the acquired net identifiable assets	70,131,290
Amount of the share that the goodwill/combined cost is less than the fair value of the net identifiable assets	35,794,894

#### 8.1.3 Identifiable assets and liabilities of the purchased on the purchasing date

Unit: Yuan

Item	Kilikanoon Estate, Australia	
	Fair value on the purchasing date	Book value on the purchasing date
Assets:		
Monetary capital	1,359,765	1,359,765

Item	Kilikanoon Estate, Australia	
	Fair value on the purchasing date	Book value on the purchasing date
Accounts receivable	10,366,281	10,366,281
Advance payment	237,174	237,174
Other receivables	182,667	182,667
Inventory	69,612,312	57,946,312
Financial assets available for sale	5,053	5,053
Fixed assets	49,029,999	38,696,709
Intangible assets	16,417,886	7,461,624
<b>Total assets</b>	<b>147,211,137</b>	<b>116,255,585</b>
<b>Liabilities:</b>		
Long-term loans	1,282,550	1,282,550
Accounts payable	6,198,846	6,198,846
Employee remuneration payable	876,987	876,987
Taxes and dues payable	1,789,093	1,789,093
Long-term loans	43,497,119	43,497,119
Deferred income tax liabilities	5,902,429	
<b>Total liabilities</b>	<b>59,547,024</b>	<b>53,644,595</b>
<b>Net assets</b>	<b>87,664,113</b>	<b>62,610,990</b>
Minus: Minority equity	17,532,823	12,522,198
<b>Net assets acquired</b>	<b>70,131,290</b>	<b>50,088,792</b>

## 9. Equity in other entities

### 9.1 Equity in the subsidiaries

#### 9.1.1 Constitution of enterprise group

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Xinjiang Tianzhu (a)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	60%		Acquired from a business combination under non-common control
Roulet Frasnac	Cognac, France	Cognac, France	Trading		100%	Acquired from a business combination under non-common control
Mirefleurs	Bordeaux, France	Bordeaux, France	Trading		100%	Acquired from a business combination under non-common control
Marques del Atrio (b)	Navarra, Spain	Navarra, Spain	Sales	75%		Acquired from a business combination under non-common control
Kilikanoon Estate, Australia	Adelaide, South Australia, Australia	Adelaide, South Australia, Australia	Sales	80%		Acquired from a business combination under non-common control
Indomita Wine (c)	Santiago, Chile	Santiago, Chile	Sales	85%		Acquired by establishment or investment
Beijing Changyu Wine Marketing Co., Ltd. ("Beijing Marketing")	Beijing City, China	Beijing City, China	Sales	100%		Acquired by establishment or investment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	100%		Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Yantai Chateau Changyu-Castel Co., Ltd. ("Chateau Changyu") (d)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	70%		Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Co., Ltd. ("Jingyang Wine")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	100%		Acquired by establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd. ("Langfang Castel") (e)	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Manufacturing industry	39%	10%	Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales	10%	90%	Acquired by establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd. ("Langfang Sales")	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Sales	10%	90%	Acquired by establishment or investment
Shanghai Changyu Wine Marketing Co., Ltd. ("Shanghai Marketing")	Shanghai City, China	Shanghai City, China	Sales	30%	70%	Acquired by establishment or investment
Beijing Changyu AFIP Eco-agriculture Development Co., Ltd. ("Eco-agriculture Development")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu AFIP Wine Chateau Co., Ltd. ("Beijing Chateau") (f)	Beijing City, China	Beijing City, China	Manufacturing industry	90%		Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer International Wine Co., Ltd. ("Pioneer International")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	70%	30%	Acquired by establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100%	Acquired by establishment or investment
Ningxia Growing	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Planting industry	100%		Acquired by establishment or investment
Huanren Changyu National Wine Sales Co., Ltd. ("National Wine")	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Sales	100%		Acquired by establishment or investment
Liaoning Changyu Icewine Valley Co., Ltd. ("Icwine Valley") (g)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Manufacturing industry	51%		Acquired by establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Shenzhen Changyu Wine Marketing Co., Ltd. ("Shenzhen Marketing")	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Sales		100%	Acquired by establishment or investment
Yantai Fushan District Changyu Trading Co., Ltd. ("Fushan Trading")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu AFIP International Conference Center Co., Ltd. ("Conference Center")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Service industry		100%	Acquired by establishment or investment
Beijing Changyu AFIP Tourism and Culture Co., Ltd. ("AFIP Tourism")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Tourist industry		100%	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Changyu (Ningxia) Pioneer Wine Co., Ltd. ("Ningxia Wine")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. ("Chateau Tinlot")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Wholesale and retail	65%	35%	Acquired by establishment or investment
Changyu (Qingtongxia) Wine Sales Co., Ltd. ("Qingtongxia Sales")	Qingtongxia City, Ningxia Hui Autonomous Region, China	Qingtongxia City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Shihezi Chateau	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Chateau Changyu Moser XV Ningxia Co., Ltd. ("Ningxia Chateau")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Chateau Changyu Rena Shaanxi Co., Ltd. ("Chang'an Chateau")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	100%		Acquired by establishment or investment
R&D Company (g)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	65%		Acquired by establishment or investment
Changyu (Huanren) Pioneer Wine Co., Ltd. ("Huanren Wine")	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Wine-making project preparation	100%		Acquired by establishment or investment
Xinjiang Changyu Wine Sales Co., Ltd. ("Xinjiang Sales")	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Xinjiang Changyu Pioneer Wine Co., Ltd. ("Xinjiang Wine")	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry		100%	Acquired by establishment or investment
Ningxia Changyu Trading Co., Ltd. ("Ningxia Trading")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd. ("Shaanxi Sales")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100%	Acquired by establishment or investment
Penglai Changyu Wine Sales Co., Ltd. ("Penglai Wine")	Penglai City, Shandong Province, China	Penglai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Laizhou Changyu Wine Sales Co., Ltd. ("Laizhou Sales")	Laizhou City, Shandong Province, China	Laizhou City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Francs Champs Participations SAS	Cognac, France	Cognac, France	Investment trade	100%		Acquired by establishment or investment
Lanzhou Changyu Wine Marketing Co., Ltd. ("Lanzhou Marketing")	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu Trading Co., Ltd. ("Beijing Trading")	Beijing City, China	Beijing City, China	Sales		100%	Acquired by establishment or investment
Tianjin Changyu Pioneer Wine Sales Co., Ltd. ("Tianjin Pioneer")	Tianjin City, China	Tianjin City, China	Sales		100%	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. ("Fuzhou Pioneer")	Fuzhou City, Fujian Province, China	Fuzhou City, Fujian Province, China	Sales		100%	Acquired by establishment or investment
Nanjing Changyu Pioneer Wine Co., Ltd. ("Nanjing Pioneer")	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Sales		100%	Acquired by establishment or investment
Xianyang Changyu Pioneer Wine Sales Co., Ltd. ("Xianyang Pioneer")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100%	Acquired by establishment or investment
Shenyang Changyu Pioneer Wine Co., Ltd. ("Shenyang")	Shenyang City, Liaoning Province, China	Shenyang City, Liaoning Province, China	Sales		100%	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Pioneer")						investment
Jinan Changyu Pioneer Wine Co., Ltd. ("Jinan Pioneer")	Jinan City, Shandong Province, China	Jinan City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Shanghai Changyu Pioneer Wine Co., Ltd. ("Shanghai Pioneer")	Shanghai City, China	Shanghai City, China	Sales		100%	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. ("Fuzhou Pioneer")	Fuzhou City, Jiangxi Province, China	Fuzhou City, Jiangxi Province, China	Sales		100%	Acquired by establishment or investment
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd. ("Shijiazhuang Pioneer")	Shijiazhuang City, Hebei Province, China	Shijiazhuang City, Hebei Province, China	Sales		100%	Acquired by establishment or investment
Hangzhou Yuzefeng Trading Co., Ltd. ("Hangzhou Yuzefeng")	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100%	Acquired by establishment or investment
Jilin Changyu Pioneer Wine Co., Ltd. ("Jilin Pioneer")	Changchun City, Jilin Province, China	Changchun City, Jilin Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu Pioneer Wine Sales Co., Ltd. ("Beijing Pioneer")	Beijing City, China	Beijing City, China	Sales		100%	Acquired by establishment or investment
Harbin Changyu Pioneer Wine Sales Co., Ltd. ("Harbin Pioneer")	Harbin City, Heilongjiang Province, China	Harbin City, Heilongjiang Province, China	Sales		100%	Acquired by establishment or investment
Hunan Changyu Pioneer Wine Co., Ltd. ("Hunan Pioneer")	Changsha City, Hunan Province, China	Changsha City, Hunan Province, China	Sales		100%	Acquired by establishment or investment
Yinchuan Changyu Pioneer Wine Co., Ltd. ("Yinchuan Pioneer")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Kunming Changyu Pioneer Wine Co., Ltd. ("Kunming Pioneer")	Kunming City, Yunnan Province, China	Kunming City, Yunnan Province, China	Sales		100%	Acquired by establishment or investment
Chongqing Changyu Pioneer Wine Sales Co., Ltd. ("Chongqing Pioneer")	Chongqing City, China	Chongqing City, China	Sales		100%	Acquired by establishment or investment
Zhengzhou Changyu Pioneer Wine Co., Ltd. ("Zhengzhou Pioneer")	Zhengzhou City, Henan Province, China	Zhengzhou City, Henan Province, China	Sales		100%	Acquired by establishment or investment
Wuhan Changyu Pioneer Wine Co., Ltd. ("Wuhan Pioneer")	Wuhan City, Hubei Province, China	Wuhan City, Hubei Province, China	Sales		100%	Acquired by establishment or investment
Taiyuan Changyu Pioneer Wine Co., Ltd. ("Taiyuan Pioneer")	Taiyuan City, Shanxi Province, China	Taiyuan City, Shanxi Province, China	Sales		100%	Acquired by establishment or investment
Hohhot Changyu Pioneer Wine Co., Ltd. ("Hohhot Pioneer")	Hohhot City, Inner Mongolia Autonomous Region, China	Hohhot City, Inner Mongolia Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Chengdu Changyu Pioneer Wine Co., Ltd. ("Chengdu Pioneer")	Chengdu City, Sichuan Province, China	Chengdu City, Sichuan Province, China	Sales		100%	Acquired by establishment or investment
Nanning Changyu Pioneer Wine Co., Ltd. ("Nanning Pioneer")	Nanning City, Guangxi Zhuang Autonomous Region, China	Nanning City, Guangxi Zhuang Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Lanzhou Changyu Pioneer Wine Co., Ltd. ("Lanzhou Pioneer")	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales		100%	Acquired by establishment or investment
Yantai Rouillet-Fransac Imported Wine Sales Co., Ltd. ("Yantai Rouillet-Fransac")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Hefei Changyu Pioneer Wine Co., Ltd. ("Hefei Pioneer")	Hefei City, Anhui Province, China	Hefei City, Anhui Province, China	Sales		100%	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Pioneer")						investment
Urumchi Changyu Pioneer Wine Co., Ltd. ("Urumchi Pioneer")	Urumchi City, Xinjiang Uygur Autonomous Region, China	Urumchi City, Xinjiang Uygur Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Guizhou Changyu Pioneer Wine Co., Ltd. ("Guizhou Pioneer")	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Sales		100%	Acquired by establishment or investment
Guangzhou Changyu Pioneer Wine Co., Ltd. ("Guangzhou Pioneer")	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Sales		100%	Acquired by establishment or investment
Wine Sales Co., Ltd.	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	100%		Acquired by establishment or investment

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

(a) Xinjiang Tianzhu is a subsidiary of the Company obtained by merger and acquisition, whose 60% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Xinjiang Tianzhu by contract arrangement. This contract arrangement was expired on August 6, 2017. After the expiration, the minority shareholders of Xinjiang Tianzhu shall enjoy/bear all rights/duties of shareholders specified in the Articles of Association.

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

(c) Indomita Wine is a Sino-foreign joint venture jointly established by the Company and Inversiones Beth-Wines Limitada, in which the Company invested USD 40,110,000 (equivalent to RMB 274,248,114 Yuan), holding 85% of the stock rights, and Inversiones Beth-Wines Limitada invested USD 7,080,000 (equivalent to RMB 48,396,726 Yuan), holding 15% of the stock rights.

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

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

(f) Beijing Chateau is a limited liability company jointly established by the Company and Yantai De'an and Beijing Qinglang. In 2017, the Company made capital increase of RMB

502,910,000 Yuan in Beijing Chateau, and Yantai De'an and Beijing Qinglang jointly made capital increase of RMB 29,840,000 Yuan. On December 22, 2017, Beijing Chateau completed business registration alteration. After the capital increase, the Company holds 90% of the stock rights. The Company exercises full control over the operation, investment and financing policies of Beijing Chateau by contract arrangement. The contract arrangement will expire on September 2, 2019.

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

(h) The R&D Company is a joint venture established by the Company and Agricultural Development Fund, whose 65% of the shares were held by the Company on June 30, 2018. As stated in Note 7.30, Agricultural Development Fund invested RMB 305,000,000 Yuan in the R&D Company in 2016, accounting for 37.9% of the registered capital. According to the investment agreement, it is agreed that Agricultural Development Fund will take back the investment fund in ten years and obtain fixed income according to year, which is 1.2% of the remaining principal. Except for the above fixed income, the Agricultural Development Fund shall not enjoy other profits of the R&D Company or bear the losses of the R&D Company. Accordingly, the investment of the Agricultural Development Fund in the R&D Company is equity investment nominally, which is debt investment in deed. This Company shall include the investment of the Agricultural Development Fund in long-term accounts payable measured by amortized cost. The Company exercises full control over the operation, investment and financing policies of the R&D Company by contract arrangement. The contract arrangement will expire on May 22, 2026.

### 9.1.2 Important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Shareholding proportion of minority shareholders	Profit/loss attributable to minority shareholders in this period	Dividend declared to be distributed to minority shareholders in this period	Balance of minority shareholder's interest at the end of period
Xinjiang Tianzhu	40%	-73,829		53,299,623
Marques del Atrio	25%	303,503	746,021	30,648,536
Changyu Chateau	30%			12,365,016
Langfang Castel	51%			22,702,522
Beijing Chateau	10%			65,133,868
Icewine Valley	49%			33,319,062
Indomita Wine	15%	-42,279		52,446,446
Kilikanoon Estate, Australia	20%	-23,063		16,776,846

Explanation for difference between the proportion of shareholding and proportion of voting power of the minority shareholders in the subsidiaries: See details in Note 9.1.1.

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

Unit: Yuan

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	31,621,493	68,869,503	100,490,996	493,969	5,336,114	5,830,082
Changyu Chateau	140,023,527	114,974,477	254,998,005	171,551,853		171,551,853
Langfang Castel	18,220,999	17,452,408	35,673,406	4,063,516		4,063,516
Beijing Chateau	215,371,778	475,159,760	690,531,538	50,320,391		50,320,391
Icwine Valley	59,047,298	25,091,478	84,138,776	28,890,336	100,000	28,990,336
Marques del Atrio	348,900,749	107,672,031	456,572,779	246,746,293	86,970,780	333,717,072
Indomita Wine	183,652,569	299,672,376	483,324,945	127,449,902	6,232,065	133,681,967
Kilikanoon Estate, Australia	85,037,994	63,434,206	148,472,200	57,335,399	7,252,572	64,587,971

Unit: Yuan

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	30,264,441	71,323,940	101,588,381	809,080	5,336,114	6,145,194
Changyu Chateau	140,038,021	115,435,985	255,474,006	175,061,601		175,061,601
Langfang Castel	22,728,536	17,973,719	40,702,255	6,133,909		6,133,909
Beijing Chateau	214,079,274	481,668,050	695,747,324	73,963,043		73,963,043
Icwine Valley	38,657,358	25,484,359	64,141,717	10,871,695	100,000	10,971,695
Marques del Atrio	398,835,959	116,299,504	515,135,463	299,030,002	89,336,338	388,366,340
Indomita Wine	175,669,256	305,664,706	481,333,962	122,023,764	5,206,406	127,230,170

Unit: Yuan

Name of subsidiary	Amount incurred in this period				Amount incurred in prior period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Xinjiang	18,803	-184,572	-184,572	10,284,801	115,904,168	22,453,715	22,453,715	-7,275,404

Tianzhu								
Changyu Chateau	43,226,910	2,861,474	2,861,474	2,419,427	20,668,538	-106,018	-106,018	12,978,276
Langfang Castel	5,038,281	-1,952,954	-1,952,954	-4,435,022	23,732,778	161,088	161,088	-137,422
Beijing Chateau	78,502,666	15,243,700	15,243,700	12,282,145	75,491,933	12,511,172	12,511,172	-37,040,335
Icewine Valley	27,305,133	905,396	905,396	2,018,740	16,724,881	-2,063,324	-2,063,324	-1,416,775
Marques del Atrio	148,197,893	1,214,012	-929,332	-21,783,821	131,223,890	-233,187	3,996,659	-31,616,566
Indomita Wine	93,719,341	-281,859	-4,460,814	-7,723,684				
Kilikanoon Estate, Australia	25,904,401	-115,317	-3,779,883	-1,469,903				

## 10. Risks related to financial instruments

The main financial instruments of the Group include monetary capital, bills receivable, accounts receivable, interest receivable, other receivables, available-for-sale financial assets, short-term loans, accounts payable, other payables, interest payable, long-term accounts payable and long-term loans. Please refer to Note 7 of each financial instrument for the details. The risks related to these financial instruments and risk management policies adopted by the Group to reduce these risks are shown as follows. The management of the Group manages and monitors these risk exposures to ensure that the above-mentioned risks are controlled within a defined scope.

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

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

### 10.1 Risk management objective and policy

#### 10.1.1 Market risk

##### ① Foreign exchange risk

Foreign exchange risk refers to the risk that causes loss due to exchange rate fluctuation. The foreign exchange risk borne by the Group is mainly relevant to EUR and USD. Except that the overseas subsidiaries of the Group purchase and sell in EUR, Chilean peso and Australian dollar, which borrow in USD, and domestic subsidiaries deposit in EUR and USD, other main business activities of the Group are priced and settled in RMB. As at June 30, 2018, except that the assets and liabilities mentioned in the table below were the balance of deposits or loans shown in foreign currencies, other assets and liabilities of the entities of the Group were settled in their respective functional currencies.

Unit: Yuan

Item	Ending balance	Beginning balance
Monetary capital (EUR)	383,929	1,190,459
Monetary capital (USD)	40,818,904	34,843,968
Short-term loans (USD)	59,549,400	58,807,800

The foreign exchange risk caused by the assets and liabilities of such foreign currency balance may exert an influence on the business performance of the Group. The Group pays close attention to the influence of exchange rate fluctuation on the foreign exchange risk of the Group. The Group has not taken any measures to avoid the foreign exchange risk at present.

#### Sensitivity analysis of foreign exchange risk

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

#### Domestic entities:

Unit: Yuan

Item	Exchange rate fluctuation	This period	
		Influence on profit in this period	Influence on shareholders' equity
EUR	5% appreciation against RMB	49	49
EUR	5% depreciation against RMB	-49	-49
USD	5% appreciation against RMB	1,968,271	1,968,271
USD	5% depreciation against RMB	-1,968,271	-1,968,271

#### Overseas entities:

Unit: Yuan

Item	Exchange rate fluctuation	This period	
		Influence on profit in this period	Influence on shareholders' equity
USD	5% appreciation against EUR	22,027	22,027
USD	5% depreciation against EUR	-22,027	-22,027
USD	10% appreciation against CLP	-5,830,116	-5,830,116

USD	10% depreciation against CLP	5,830,116	5,830,116
EUR	5% appreciation against CLP	19,205	19,205
EUR	5% depreciation against CLP	-19,205	-19,205

Note: As at June 30, 2018, the management of the Group predicted that the EUR and USD exchange rate against RMB, EUR exchange rate against USD, and EUR exchange rate against CLP changed by 5%; and USD exchange rate against CLP changed by 10%.

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

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

### Sensitivity analysis of interest rate risk

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

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

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

Unit: Yuan

Item	Interest rate change	This period	
		Influence on profit of this period	Influence on shareholders' equity
Bank loan	Increase by 50 BP	-1,751,529	-1,751,529
Bank loan	Decrease by 50 BP	1,751,529	1,751,529

Note: As at June 30, 2018, the management of the Group predicted that the bank floating rate changed by 50 basis points

## 10.1.2 Credit risk

As at June 30, 2018, the largest credit risk exposure possibly causing the financial loss of the

Group was mainly caused by the loss generated by the financial assets of the Group due to failure of another party of the contract in fulfilling obligations.

To lower the credit risk, the Group only trades with the recognized and reputable third party. In accordance with the policy of the Group, credit check shall be carried out for all customers who transact by means of credit. In addition, the Group conducts continuous monitoring on the balance of accounts receivable to ensure that the Group will not face major risk of bad debts. For transactions not settled with recording currency of relevant business units, unless the credit control department of the Group specially approves, the Group will not provide credit trade terms. In addition, the Group audits the collection of each single significant account receivable on each date of balance sheet to ensure that sufficient bad-debt provision is accrued for accounts unable to be collected. Therefore, the management of the Group thinks the credit risk borne by the Group is greatly reduced.

Since the Group only trades with the recognized and reputable third party, no collateral is required. The credit risk is managed centrally according to the customer/counter-party, geographic area and industry. As at June 30, 2018, 16.4% of accounts receivable of the Group came from top five borrowers in accounts receivable of the Group (December 31, 2017: 20.7%). The Group holds no collateral or other credit enhancement for the balance of accounts receivable.

### 10.1.3 Liquidity risk

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

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

Item	Book value	Fair value			
		First-level fair value	Second-level fair value	Third-level fair value	Total
Long-term accounts payable measured by amortized cost	269,000,000	-	229,053,269	-	229,053,269

The management of the Group thinks that, as at June 30, 2018, except for the long-term

accounts payable stated above, the book value of other financial assets and liabilities measured by amortized cost was close to the fair value thereof.

## 11. Related parties and related transactions

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

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

From January to June 2018, there was no fluctuation in the registered capital of the parent company and its share in equity interest and voting right.

### 11.2 Particulars of the subsidiaries of the Company

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

### 11.3 Particulars of other related parties

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

### 11.4 Related transactions

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

List of purchasing goods/receiving services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
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Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
God Horse Packing	Purchasing goods	95,990,354	64,896,342
Zhongya Medical	Purchasing goods	6,037,893	10,700,788
Wine Culture Museum	Purchasing goods	9,475,159	6,319,776
Window of Wine City	Purchasing goods	2,857,130	231,879

#### List of selling goods/providing services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
Wine Culture Museum	Selling goods	13,889,017	4,252,962
Window of Wine City	Selling goods	8,773,612	5,642,914
Zhongya Medical	Selling goods	2,203,629	1,956,658
God Horse Packing	Selling goods	15,742	829,977
Changyu Cultural Tourism	Selling goods	220,759	

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

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

Nil

#### 11.4.3 Leasing with related parties

The Company as a lessor:

Unit: Yuan

Name of the lessee	Type of leased assets	Rental income recognized in this period	Rental income recognized in prior period
God Horse Packing	Office building and plant	813,440	
Window of Wine City	Office building	535,000	
Zhongya Medical	Office building	285,000	

Pursuant to a lease contract dated July 1, 2017 signed between the Company and God Horse Packing, starting from July 1, 2017, the Company rents properties to God Horse Packing for operation purposes with annual rental income of RMB 1,626,880 Yuan, and the expired date of the contract is June 30, 2022. From January to June 2018, the rental income recognized by the Company amounted to RMB 813,440 Yuan.

Pursuant to a lease contract dated January 1, 2018 signed between the Company and Window of Wine City, starting from January 1, 2018, the Company rents houses to Window of Wine

City for operation purposes with annual rental income of RMB 1,070,000 Yuan, and the expired date of the contract is December 31, 2018. From January to June 2018, the rental income recognized by the Company amounted to RMB 535,000 Yuan.

Pursuant to a lease contract dated January 1, 2018 signed between the Company and Zhongya Medical, starting from January 1, 2018, the Company rents houses to Zhongya Medical for operation purposes with annual rental income of RMB 570,000 Yuan, and the expired date of the contract is December 31, 2018. From January to June 2018, the rental income recognized by the Company amounted to RMB 285,000 Yuan.

The Company as a lessee:

Unit: Yuan

Name of the lessor	Type of leased assets	Rent recognized in this period	Rent recognized in prior period
Changyu Group Company	Office building and plant	3,775,362	3,775,362

Pursuant to a lease contract dated January 1, 2016 signed between the Company and Changyu Group Company, starting from January 1, 2016, the Company rents properties from Changyu Group Company for operation purposes at a basic annual rent of RMB 1,692,724 Yuan, and the expired date of the contract is December 31, 2020. From January to June 2018, the rental expenses recognized by the Company to Changyu Group Company amounted to RMB 846,362 Yuan.

Pursuant to a lease contract dated January 1, 2017 signed between the Company and Changyu Group Company, starting from January 1, 2017, the Company rents properties from Changyu Group Company for operation purposes at a basic annual rent of RMB 1,464,500 Yuan, and the expired date of the contract is December 31, 2021. From January to June 2018, the rental expenses recognized by the Company to Changyu Group Company amounted to RMB 732,250 Yuan.

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

#### 11.4.4 Guarantee with related parties

Nil

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

Nil

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

Nil

**11.4.7 Other related transactions**

Unit: Yuan

Item	Note	Amount incurred in this period	Amount incurred in prior period
Trademark use fee	(a)	43,363,867	44,428,033
Patent fee	(b)	25,000	25,000

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

**(a) Trademark royalty contract**

Pursuant to a trademark royalty contract dated May 18, 1997 signed between the Company and Changyu Group Company, starting from September 18, 1997, the Company may use certain trademark of Changyu Group Company, which has been registered with the PRC Trademark Office. An annual royalty at 2% of the Company's annual specific sales is payable to Changyu Group Company by the Company. The contract is effective until the expiry of the registration of the trademark. From January to June 2018, the trademark royalty paid to related parties by the Company accounted for 100% of the trademark royalty in the Group.

**(b) Patent implementation license contract**

Pursuant to a patent implementation license contract dated May 18, 1997 signed between the Company and Changyu Group Company, starting from September 18, 1997, the Company may use the patented technologies of Changyu Group Company. The annual patent royalty payable by the Company to Changyu Group Company was RMB 50,000 Yuan. The contract was expired on December 20, 2005. On August 20, 2016, the Company renewed the patent implementation license contract for 10 year, which should pay the patent royalty of RMB 50,000 Yuan to Changyu Group Company annually as before. From January to June 2018, the patent royalty payable by the Company to Changyu Group Company amounted to RMB 25,000 Yuan.

From January to June 2018, the patent fees paid to related parties by the Group accounted for 100% of the patent fees in the Group.

## 11.5 Accounts receivable and payable of the related parties

### 11.5.1 Accounts receivable

Unit: Yuan

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Zhongya Medical	8,912,812		8,134,150	
Accounts receivable	God Horse Packing	1,668,058		1,342,348	
Accounts receivable	Window of Wine City	2,333,822		3,196,095	
Accounts receivable	Wine Culture Museum	57,360		34,280	
Accounts receivable	Changyu Cultural Tourism	256,080			

### 11.5.2 Accounts payable

Unit: Yuan

Item	Related parties	Ending book balance	Beginning book balance
Accounts payable	God Horse Packing	36,775,249	52,403,056
Accounts payable	Zhongya Medical	5,305,577	2,051,991
Accounts payable	Wine Culture Museum	2,945,967	2,040,860
Accounts payable	Window of Wine City	889,442	1,485,766
Other accounts payable	Changyu Group Company	49,766,061	77,208,929

## 12. Commitment and contingency

### 12.1 Significant commitment

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term asset commitments	810,228,900	1,246,506,000

### 12.2 Contingency

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

## 13. Matters after balance sheet

### 13.1 Important non-adjusting events

Nil

### 13.2 Profit distribution

Unit: Yuan

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

According to the decision of the Shareholders' Meeting dated May 24, 2018, based on the issued capital stock of 685,464,000 shares in 2017, the Company allocated RMB 5 Yuan in cash (including tax) for every 10 shares to all shareholders with the total cash dividends of RMB 342,732,000 Yuan. Such cash dividends were distributed on July 9, 2018 and July 11, 2018 respectively.

#### 14. Other important matters

Nil

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

##### 15.1 Accounts receivable

##### 15.1.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable of significant single amount and single accrued bad debt provision	12,408,787	100%			12,408,787	7,805,333	100%			7,805,333
Accounts receivable accrued bad debt provision by credit risk features										
Accounts receivable of insignificant single amount and single accrued bad debt provision										
Total	12,408,787	100%			12,408,787	7,805,333	100%			7,805,333

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

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

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

Nil

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

Unit: Yuan

Unit	Relationship with the Company	Amount	Age	Percentage in total accounts receivable (%)
Yantai Zhongya Medical Health Wine Co., Ltd.	Affiliated party	7,847,857	Within 1 year	63.2%
Shandong Yantai Winemaking Co., Ltd. Liquan Wine Branch	Third party	2,934,050	Within 1 year	23.6%
Yantai God Horse Packing Co., Ltd.	Affiliated party	1,626,880	Within 1 year	13.2%
Total		12,408,787		100.0%

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

Nil

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

Nil

## 15.2 Other accounts receivable

### 15.2.1 Other accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Other accounts receivable of significant single amount and single accrued bad debt provision	509,269,034	100%			509,269,034	592,274,075	100%			592,274,075
Other accounts receivable accrued bad debt provision by credit risk features										

Other accounts receivable of insignificant single amount and single accrued bad debt provision										
Total	509,269,034	100%			509,269,034	592,274,075	100%			592,274,075

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

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

### 15.2.3 Other accounts receivable classified by nature

Unit: Yuan

Nature of fund	Ending book balance	Beginning book balance
Accounts receivable of subsidiaries	507,332,524	589,897,407
Deposit and guaranty money receivable		2,500
Other	1,936,510	2,374,168
Total	509,269,034	592,274,075

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

Unit: Yuan

Unit	Nature of fund	Ending balance	Age	Percentage in the total ending balance of other accounts receivable	Ending balance of bad debt provision
Sales Company	Internal incomings and outgoings	216,011,410	Within 1 year	42.4%	
R&D Company	Internal incomings and outgoings	205,461,252	Within 1 year	40.3%	
Chateau Tinlot	Internal incomings and outgoings	20,500,000	Within 1 year	4.0%	
Penglai Sales	Internal incomings and outgoings	13,766,522	Within 1 year	2.7%	
Laizhou Wine	Internal incomings and outgoings	13,244,757	Within 1 year	2.6%	
Total	--	468,983,942	--	92.0%	

### 15.2.5 Accounts receivable related to governmental subsidy

Nil

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

Nil

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

Nil

**15.3 Long-term equity investment**

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	4,617,128,388		4,617,128,388	4,511,202,204		4,511,202,204
Investment in associated enterprises and joint ventures						
Total	4,617,128,388		4,617,128,388	4,511,202,204		4,511,202,204

**15.3.1 Investment in subsidiaries**

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment in this period	Ending balance of impairment provision
Xinjiang Tianzhu (a)	60,000,000			60,000,000		
Kylin Packaging	23,176,063			23,176,063		
Changyu Chateau (a)	28,968,100			28,968,100		
Pioneer International (b)	3,500,000			3,500,000		
Ningxia Growing	36,573,247			36,573,247		
National Wine	2,000,000			2,000,000		
Icewine Valley (a)	30,440,500			30,440,500		
Beijing Chateau (a)	579,910,000			579,910,000		
Sales Company	7,200,000			7,200,000		
Langfang Sales (b)	100,000			100,000		
Langfang Castel (a)	19,835,730			19,835,730		
Wine Sales	4,500,000			4,500,000		
Shanghai Marketing	300,000			300,000		

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment in this period	Ending balance of impairment provision
(b)						
Beijing Marketing	850,000			850,000		
Jingyang Sales (b)	100,000			100,000		
Jingyang Wine (b)	900,000			900,000		
Ningxia Wine	222,309,388			222,309,388		
Ningxia Chateau	443,463,500			443,463,500		
Chateau Tinlot (b)	212,039,586			212,039,586		
Shihezi Chateau	809,019,770			809,019,770		
Chang'an Chateau	803,892,258			803,892,258		
R&D Company (a)	500,000,000			500,000,000		
Huanren Wine	21,700,000			21,700,000		
Wine Sales Company						
Francs Champs	236,025,404			236,025,404		
Marques del Atrio	190,150,544			190,150,544		
Indomita Wine	274,248,114			274,248,114		
Kilikanoon Estate, Australia		105,926,184		105,926,184		
Total	4,511,202,204	105,926,184		4,617,128,388		

(a) The Company acquired 100% voting right and usufruct of such non-wholly-owned subsidiaries by means of contract arrangement. Please refer to Note 9.1.

(b) The Company acquired 100% voting right of such subsidiaries by means of indirect holding through its wholly-owned subsidiaries.

From January to June 2018, there were no restrictions for the invested entities of the Company to transfer assets to the Company.

## 15.4 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	384,520,180	330,810,994	445,339,324	387,600,176
Other business	24,325,031	21,835,995	386,481,179	350,350,202

Total	408,845,211	352,646,989	831,820,503	737,950,378
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## 15.5 Investment income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Income from long-term equity investment by cost method	312,409,576	66,127,980
Income from long-term equity investment by equity method		
Investment income from disposal of long-term equity investment		
Investment income of the financial assets measured at their fair values and the variation of which is recorded into the current profit and loss during the holding period		
Investment income gained from disposal of the financial assets measured at their fair values and the variation of which is recorded into the current profit and loss		
Investment income of held-to-maturity investment during the holding period		
Investment income of financial assets held for sale during the holding period		
Investment income gained from disposal of financial assets held for sale		
Gains generated from the remaining equity remeasured as per fair value after the loss of control		
Total	312,409,576	66,127,980

## 16. Supplementary materials

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

Unit: Yuan

Item	Amount	Remark
Profits/losses on disposal of non-current assets	93,958	
Tax return, deduction and exemption approved beyond the authority or without formal approval document		
Governmental subsidy included in the current profits/losses (excluding those closely related to the enterprise business and	37,982,878	

Item	Amount	Remark
enjoyed in accordance with the unified standard quota or ration of the state)		
Payment for use of funds by non-financial enterprises included in the current profits/losses		
Income obtained when the investment cost obtained by the enterprise from subsidiaries, joint-run business and joint venture is less than the fair value of the net identifiable assets obtained from the invested units when the investment is made		
Profits/losses on exchange of non-monetary assets		
Profits/losses on entrusting other people to make investment or manage assets		
Asset impairment provision accrued due to force majeure such as natural disaster		
Profits/losses on debt restructuring		
Enterprise reorganization expenses such as staffing expenditure and integration expenses, etc.		
Profits/losses on those beyond the fair value generated from transactions with unfair transaction price		
Current net profits/losses on subsidiaries acquired from a business combination under common control from the beginning to the consolidation date		
Profits/losses on contingencies unrelated to the normal business of the Company		
Profits/losses on changes of fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and financial assets held for sale, excluding effective hedging operations relevant to the normal business of the Company		
Returns of provision for impairment of accounts receivable with single impairment test		
Profits/losses on external entrusted loans		
Profits/losses on fair value changes of investment real estate with fair value mode for follow-up measurement		

Item	Amount	Remark
Influence of the one-time adjustment of the current profits/losses in accordance with tax and accounting laws and regulations on the current profits/losses		
Trustee fee income from entrusted operation		
Other non-operating income and expenditure besides the above items	614,030	
Other profits/losses conforming to the definition of non-current profits/losses		
Minus: Influenced amount of income tax	9,447,208	
Influenced amount of minority shareholders' equity	84,972	
Total	29,158,686	--

## 16.2 Return on net assets and earnings per share

Profit incurred in this period	Weighted average return on net assets	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	6.89%	0.93	0.93
Net profit attributable to common shareholders of the Company deducting non-incidental profits/losses	6.58%	0.88	0.88

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

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

Unit: Yuan

	Net profits		Net assets	
	Amount incurred in this period	Amount incurred in prior period	Ending balance	Beginning balance
In accordance with the Chinese accounting standard	635,837,405	670,069,054	9,532,948,884	8,906,342,299
Item & amount adjusted in accordance with the international accounting standard:				
In accordance with the international accounting standard	635,837,405	670,069,054	9,532,948,884	8,906,342,299

## **XI. Reference Documents**

- (1) The original of 2018 Semi-annual Report autographed by the chairman.
- (2) The Financial Statements autographed and signed by the chairman, chief accountant and accountants in charge.
- (3) The *Prospectus and Public Offering Announcement* for Stock B in 1997; The *Prospectus and The Shares' Change & Public Offering Announcement* for Stock A in 2000.
- (4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

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

**Board of Directors**

**August 30<sup>th</sup>, 2018**