



Yantai Changyu Pioneer Wine Co. Ltd.

2018 Annual Report

Final 2019-01

April, 2019

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I. Important Notice, Content and Definition

The board of directors, the board of Supervisors, directors, supervisors and senior executives of the Company guarantee the truthfulness, accuracy and completeness of the contents contained in the report with no false records, misleading statements or significant omissions, and undertake individual and joint legal liabilities.

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 annual report.

Except the following directors, all other directors have personally attended the meeting for deliberating the 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
Antonio Appignani	Director	Business trip	Augusto Reina

Forward-looking statements such as future plans and development strategies covered in this report do not constitute a substantial commitment of the Company to investors. Investors are advised to pay attention to investment risks.

About significant risks that may be faced in production and operation process, please refer to “5. Risks likely to occur” part of “9. Expectation for the Company’s Future Development” in the Chapter Four “Management Discussion and Analysis” of the report. Investors are advised to read carefully and pay attention to investment risks.

The Company’s preliminary scheme of profit distribution deliberated and passed by the board of directors this time is shown as following: Based on the Company’s total 685,464,000 shares, we plan to pay CNY6 (including tax) in cash as dividends for every 10 shares to all shareholders and send 0 bonus share (including tax). Capital reserve will not be transferred to equity.

Definition

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

II. Brief Introduction for the Company and Main Financial Indicators

1. Company's information

Stock Abbreviation	Changyu A, Changyu B	Stock Code	000869, 200869
Stock Abbreviation after Alteration	-		
Place of Stock Listing	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		
Registered Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Office Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Website	http://www.changyu.com.cn		
E-mail	webmaster@changyu.com.cn		

2. Contact person and information

	Secretary to the Board of Directors	Authorized Representative of 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. Information disclosure and filing location

Media name for information disclosure selected by the Company	<i>China Securities Newspaper</i> , <i>Securities Times</i> and <i>Hong Kong Commercial Daily</i>
Web Site assigned by CSRC to carry the annual report	http://www.cninfo.com.cn
Filing location of the Company's annual report	Board of Directors' Office of the Company, 56 Dama Road, Yantai, Shandong

4. Registration changes

Organization Code	913700002671000358
Changes for the main businesses of the Company since it was listed	The business scope determined by the Company when it was established on September 18 th , 1997 is production, processing and sales of wine, distilled liquor, healthy liquor, fruit liquor, non-alcohol beverage, fruit jam, packing material and winemaking machine. On April 17 th , 2008, approved by the 2007 shareholders' meeting, the Company's business scope is changed to production, processing and sales of wine, distilled liquor, medicated liquor, fruit liquor, non-alcohol beverage, fruit jam, packing material, winemaking machines and licensed import and export. On May 12 th , 2010, approved by the 2009 shareholders' meeting, the Company changed its business scope to production, processing and sales of wine, distilled liquor, medicated liquor, fruit liquor, non-alcohol beverage, fruit jam, packing material and its products, winemaking machine, licensed import and export and external investment according to national policy. On September 23 rd , 2016, approved by the 2016 annual 1 st Interim shareholders' meeting, the Company changed its operating scope to wine and fruit wine (bulk wine, processing and filling) production, blending liquor and other blending liquors (grape liqueur) production, other liquors (other distilling liquors) production, production, processing and sales of packing material and winemaking machine, grape plantation and procurement, tourism resources development (excluding tourism), package design, activity of building rental, licensed import and export, warehouse business and external investment according to national policy.
Changes for all previous controlling shareholders	No.

5. Other relevant information

The accounting firm appointed by the Company

Name	Deloitte Hua Yong Certified Public Accountants Co., Ltd (special general partnership)
Address	No. 23 Zhenzhi Road, Chaoyang District, Beijing
Name of signatory accountants	Xie Yanfeng, Li Yangang

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

☐ Available ☒ Not available

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

☐ Available ☒ Not available

6. Key accounting data and financial indicators

Whether the Company needs to retrospectively adjust or restate the accounting data of previous fiscal years.

☐ Yes ☒ No

	2018	2017	More or less than Last year (%)	2016
Operating revenue (CNY)	5,142,244,740	4,932,545,229	4.25%	4,717,596,472
Net profit attributed to shareholders of the listed company (CNY)	1,042,632,929	1,031,695,056	1.06%	982,460,488
Net profit attributed to shareholders of the listed company after deducting irregular gains and losses (CNY)	965,426,238	986,095,872	-2.10%	941,730,478
Net cash flows from operating activities (CNY)	975,978,746	973,243,027	0.28%	889,911,970
Basic earnings per share (CNY)	1.52	1.51	0.66%	1.43
Diluted earnings per share (CNY)	1.52	1.51	0.66%	1.43
Weighted average for earning rate of net assets (CNY)	11.23%	12.14%	-0.91%	12.55%
	December 31 st , 2018	December 31 st , 2017	More or less than Last year (%)	December 31 st , 2016
Total assets (CNY)	13,117,729,052	12,536,755,208	4.63%	11,528,077,971
Net Assets attributed to shareholders of the listed company (CNY)	9,606,099,365	8,906,342,299	7.86%	8,209,010,989

7. Differences in accounting data under PRC accounting standards and international accounting standards

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

☐ Available ☒ Not available

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

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

☐ Available ☒ Not available

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

8. Key financial indicators by quarter

Unit: CNY

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Operating revenue	1,804,057,976	1,024,172,088	1,032,328,986	1,281,685,690
Net profit attributed to shareholders of the listed company	479,444,238	156,393,167	133,916,250	272,879,274
Net profit attributed to shareholders of the listed company after deducting irregular gains and losses	466,181,564	140,497,155	110,520,695	248,226,824
Net cash flows from operating activities	507,263,964	45,489,508	224,087,322	199,137,952

Whether there are significant differences between the above mentioned financial indicators or their sum and the related financial indicators in the quarterly reports and semi-annual reports disclosed by the Company.

☐ Yes ☒ No

9. Item and amount of non-recurring profit and loss

☒ Available ☐ Not available

Unit: CNY

Item	2018	2017	2016	Explanation
Profits and losses on disposal of non-current assets, including the provision for asset impairment write-off part	11,368,355	-222,586	14,719	
Government grants included in the current profits and losses (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)	87,281,434	47,638,384	49,130,643	
Other operating revenues and expenditures except the aforementioned items	3,817,401	13,999,251	4,656,972	
Less: Income tax effect	25,157,188	15,523,424	13,072,324	
Minority shareholders' equity effect (after taxes)	103,311	292,441		
Total	77,206,691	45,599,184	40,730,010	--

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

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

☐ Available ☒ Not available

There are no cases that non-recurring profit and loss is defined and specified as recurrent profit and loss in accordance with the *Explanatory Announcement on Public Company's Information Disclosure No.1 - Non-recurring 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 disclosure requirements of special industry

No

During the report period, the Company's main businesses are production and operation of wine and brandy, thus providing domestic and foreign consumers with healthy and fashionable alcoholic drinks. 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 growth stage and the whole domestic wine market is on the rising trend. The Company is at the forefront in the domestic wine market.

2. Significant changes of main assets

(1) Significant changes of main assets

Main assets	Explanation of significant changes
Equity asset	There are no significant changes during the report period
Fixed asset	The fixed assets increased by 7.89% compared with the initial stage, owing to part of constructions in process have been transferred to fixed asset during the report period.
Intangible asset	There are no significant changes of intangible asset during the report period.
Construction in process	The constructions in process decreased by 26% compared with the initial stage, owing to part of constructions in process have been transferred to fixed asset during the report period.

(2) Main overseas assets situation
☒ Available ☐ Not available

Unit: CNY

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	563,501,798	Spain	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	3,811,465	5.87%	No
Indomita Wine Company Chile, SpA	Establishment of joint venture	515,753,832	Chile	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	15,934,347	5.37%	No

Kilikanoon Estate Pty Ltd	Acquisition of equity	151,394,573	Australia	Independent operation	The Company participates in making important decisions through board of directors.	217,869	1.58%	
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3. Analysis of core competitiveness

Whether the Company needs to follow disclosure requirements of special industry

No.

Compared with the participants in the arena of the Chinese wine sector, we believe that the Company is 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 all China famous brand 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 dealers, with strong marketing ability and market exploitation ability.

Thirdly, the Company has strong research strength and a product R&D system. Relying on the country’s only “State-level Wine R&D Center”, the Company has mastered advanced winemaking technology and production processes as well as been powerful enough in product innovation and perfect quality control system.

Fourthly, the Company is in possession of a lot of grape-growing bases that are compatible with its development requirements. The Company has developed a great deal of vineyards in the most suitable areas for wine grape growing such as Shandong, Ningxia, Xinjiang, Liaoning, Hebei and Shanxi, whose scale and structure have generally met the Company’s needs for development.

Fifthly, products in high, medium and low-grade as well as varieties and categories are all complete. Over 100 varieties of series products such as wine, brandy and sparkling wine covers various grades, including high, medium and low-grade, which can meet different consumer groups’ demands. The Company has taken the dominant status in the domestic wine industry through rapid development in the past 10-odd year

and has comparative advantages in the future competition.

Sixthly, the Company has a relatively perfect 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 set up flexible and efficient decision-making mechanism. The Company's core management team always maintains a working style of unity and pragmatic and flexible and efficient decision-making mechanism, which makes the Company can deal with market changes more calmly.

Eighthly, the global production capacity layout has been basically completed. The Company has completed production capacity layout in China, France, Chile, Spain, Australia and other major wine producing countries in the world, enabling making better use of global high-quality raw material resources, capital, talents and advanced production processes and technologies to provide consumers with diversified quality products and better serve consumers.

Based on the above reasons, the Company has formed relatively strong core competence and will maintain a relatively dominant position in the future predictable market competition.

IV. Management Discussion and Analysis

1. Summarization

In 2018, influenced by many factors, such as the slowdown of domestic economic growth and the increase in uncertainty resulting from Sino-US trade friction, the overall sales amount of domestic wine industry was relatively stable, but the sales volumes of both imported wine and domestic wine decreased. As imported wine continued occupying the market of domestic wine, the competition in domestic wine market was very strong. Furthermore, the increase in the price of raw materials and packing materials as well as increase in the depreciation of fixed assets, freight and labor cost further increased the pressure of the company's increase in profit. Facing quite a lot of external disadvantages, the Company insisted in taking the market as the center, insisted the development strategy of "Focus on middle-and-high level, Focus on high quality, Focus on big product", intensified internal reform, optimized product structure and market layout, quickened the pace of new product development and market promotion, and strived to promote product sales, achieving good results and realizing operating revenue of CNY5142.24million with an increase of 4.25% compared with last year and net profit of CNY1042.63 million belonging to the parent company's shareholders with an increase of 1.06% compared with last year.

2. Analysis of main business

(1) summarization

Description	Increase or decrease of the end of the period over the end of last year	Cause of significant changes
Operating revenue	4.25%	Mainly because of increase in average price of products resulting from improvement of product mix
Operating cost	13.76%	Mainly because of increase in the price of raw materials and packing materials
Sales expense	0.16%	Mainly because of year-on-year increase in wage & welfare
Management expense	2.12%	Mainly because of year-on-year increase in wage & welfare and depreciation of afforestation fees
R&D expense	10.72%	Mainly because of increase in expenses for technology research and development in 2018
Financial expense	93.36%	Mainly because of increase in loan interest expenditure

Net amount of cash flow generated in operating activities	0.28%	Mainly because of increase in received cash from product sales and rendering of serdeputy
Net amount of cash flow generated in investment activities	38.08%	Mainly because of increase in received cash from t recouping the investment
Net amount of cash flow generated in capital-raising activities	-77.83%	Mainly because of increase in payment of cash for debt repayment

Review and summary of the process of the Company's early-disclosed development strategy and business plan during the report period

During the report period, the Company realized the operating revenue of CNY5142.24million with an increase of 4.25% compared with last year, slightly lower than the target fixed at the beginning of the year of realizing operating revenue no less than CNY5.2billion. The net profit of CNY1042.63 million belonging to the parent company's shareholders was realized with an increase of 1.06% compared with last year. The main work during the report period were shown as followed:

Firstly, the Company took the market as the mirror, further promoted the strategy of three Focus, strengthened internal adjustment and reform intensity, accelerated the launch of new products and market expansion of core products, and strived to develop E-business, achieving good results. During the report period, the Company reorganized sales team, preliminarily realized the reduce in staff number and the improve of efficiency, conducted the work of "sales team jointly built by manufacturers and distributors", actively explored the expense input management and control mode of "check and balance between manufacturers and distributors ", and received preliminary effects. Ten provincial brandy companies were newly established. Specialized provincial wine companies and comprehensive provincial companies were subdivided. Three business segments, including provinces and cities such as Zhejiang, Fujian, Guangdong, Jiangsu, Shandong, Beijing and Shanghai etc and E-business and so on, realized authorized operation. The Company adjusted the function of VIP customer business, peeled off distribution business in direct supply system, further defined the relationship between the Changyu parent brand and its subsidiary brands, formed the core brand system of various liquors and made development planning of each brand. Series of new products, such as the ninth generation Noble Dragon, new Zenithwirl, 15-year Koya, 10-year Koya, 6-year Koya, Australian Kilikanoon products and Chilean Indomita products and so on, received wide praises and the demand of partial products exceeds supply owing to their hot sale. The Company insisted on the strategy of three Focus, weeded out 134 kinds of wine and centralized most marketing resources to be used for market promotion of middle-to-high-end wine, five-star and above brandy and imported wine with own brands, making sales revenue of wine and brandy achieve different levels of increase.

Secondly, the Company took the quality as the basis, regarded product quality as an important magic weapon to defeat enemies. It conducted all-around self-examination, self-correction and optimization on the selection of grape base, grape planting mode, production process and technology, quality testing equipment and product quality control system etc, formulated three-year planning, implementation scheme and specific measures for product development and quality improvement in future three years, strengthened technical exchanges at home and abroad and team construction of winemakers, focused on new product development and technical difficulties, improved the quality traceability system and strengthened quality control in the whole production process, making the company's technical level and product quality reach a new level. The Company carried out 45 technology researches and completed one sub-project of national 863 project. Drafted standards of Wine-making Grape and Oak Barrel passed the group standards assessment by China Alcoholic Drinks Association, filling in gaps of domestic wine industry. Key Technology Research and Application in Industrialization of Domestic Oak Products was declared for 2018 scientific and technological progress award of China Alcoholic Drinks Association. Key Technology Research for Premium and Characteristic Wine-making Grape Cabernet Gernischt and Wine Production won scientific and technological progress award of China National Light Industry Council. In 2018 IWSC, Kilikanoon Wines Pty Ltd in Australia was awarded “Australian Best Wine Producer of the Year” and was the only one chateau awarded by IWSC among more than 4000 chateaux in Australia, of which 2014 Kilikanoon Estate Special Reserve Shiraz 8K won outstanding gold medal with scores of 93 points and above) as well as the trophy of “World’s Best Shiraz of the Year” while 2016 Kilikanoon Estate Wine Blend 6K won gold medal with scores of 90 to 92.9 points. Kilikanoon Wines Pty Ltd was honored with the title of “Australian Best Wine Producer of the Year” in 2018 Mundus Vini. 2014 Kilikanoon Estate Special Reserve Shiraz 8K won gold medal in DAWA with the score of 95. 2015 Moser Family Cabernet Sauvignon Red Wine, 2016 Moser Legend Cabernet Sauvignon White Wine, 2015 Golden-label Icewine of Golden Icewine Valley and 2015 Blue-label Icewine of Golden Icewine Valley won gold medal in the 22nd session of Berliner Wein Trophy. Changyu Five-star Fine Brandy won gold medal in 2018 Spirits Selection by Concours Mondial de Bruxelles. Changyu Koya 15-years XO brandy ageing in oak barrel won the design award of luxury category in 2018 Pentawards Award Ceremony. “Water-drop Decanter” of Changyu Koya 10-years XO Brandy won the design award of packaging category in 2018 iF Design Award Ceremony held at BMW Welt in Munich, Germany.

Thirdly, the Company realized online identification and order-driven mode of major products. During the reporting period, the Company issued *Assessment Measures for Performance Rate of Production Order*, gave full play to advantages of advanced production facilities, high automation and informationization and fast production speed, optimized and adjusted business processes, and strengthened coordination of supply, production and sales, making 27 kinds of Noble Dragon products with high sales volume and all domestic chateau wines achieve order-driven mode. Most domestic wine products achieved online tagging, which

improved production efficiency and delivery speed, dramatically reduced product and capital backlogs and better satisfied the market needs.

Fourthly, the Company enhanced financial management and established and improved the assessment system taking profit as principal line. During the report period, the Company strengthened the management in financial budget, fixed funds and overseas enterprises' financial affairs, enhanced the audit in price execution, gross profit margin, capital occupation, key expenses, and investment projects, increased the investigation of economic responsibility, scientifically allocated internal capital, vigorously strived for policy-based capital loans and continuously reduce the cost of capital. It strengthened the simulated profit assessment of authorized business units and strived to establish a profit assessment system covering all business segments and respective responsibilities in order to provide a basic basis for more reasonable and efficient performance assessment and to improve profitability.

Fifthly, the Company successfully completed the procurement of raw materials including grapes and further strengthened the management in grape base. The Company comprehensively accomplished the procurement plan of raw materials exemplified as grapes, improved the fermentation rate of premium wines, further deepened sort management and sort acquisition of grape bases and continued promoting the mechanization process in vineyards, lowering the operating costs of self-supported grape bases and making scientific and normative management in grape base reach a higher level. It raised grape purchase standard, improved raw material quality, actively conducted the introduction, selective breeding and improvement of new grape varieties and characteristic varieties and cultivated a lot of new varieties, enriching the variety resource for future product development. It also organized orchardist to take professional training on grape planting technology, which improved their grape planting and management level.

Sixthly, the Company continued promoting internationalization strategy and steadily implemented overseas acquisition. It acquired 80% equity of Kilikanoon Estate Pty Ltd in Australia.

(2) Revenue and cost

① Composition of operating revenue

Unit: CNY

	2018		2017		Year-on-year increase or decrease (%)
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total	5,142,244,740.00	100%	4,932,545,229	100%	4.25%

operating revenue					
Sector-classified					
Sector of liquor and alcoholic beverage	5,142,244,740	100%	4,932,545,229	100%	4.25%
Product-classified					
Wine	4,000,233,434	77.79%	3,829,326,556	77.63%	0.16%
Brandy	999,207,299	19.43%	989,889,728	20.07%	-0.64%
Others	142,804,007	2.78%	113,328,945	2.30%	0.48%
Area-classified					
Domestic	4,486,387,956	87.25%	4,497,288,066	91.18%	-3.93%
Abroad	655,856,784	12.75%	435,257,163	8.82%	3.93%

② The cases of industry, product or area accounting for over 10% in the Company's operating revenue or operating profit

☒ Available ☐ Not available

Whether the Company needs to follow disclosure requirements of special industry

No

Unit: CNY

	Operating revenue	Operating cost	Gross profit rate	Year-on-year increase or decrease (%) of operating revenue	Year-on-year increase or decrease (%) of operating cost	Year-on-year increase or decrease (%) of gross profit rate
Sector-classified						
Sector of liquor and alcoholic beverage	5,142,244,740	1,901,611,507	63.02%	4.25%	13.76%	-3.09%
Product-classified						
Wine	4,000,233,434	1,460,855,413	63.48%	4.46%	15.36%	-3.45%
Brandy	999,207,299	403,699,973	59.60%	0.94%	14.58%	-4.81%
Others	142,804,007	37,056,121	74.05%	26.01%	-29.91%	20.70%
Total	5,142,244,740	1,901,611,507	63.02%	4.25%	13.76%	-3.09%

Area-classified						
Domestic	4,486,387,956	1,477,589,238	67.07%	-0.24%	7.17%	-2.27%
Abroad	655,856,784	424,022,269	35.35%	50.68%	44.76%	2.65%

Under the condition that the statistical caliber of the Company's main business data is adjusted during the report period, the Company's main business data adjusted on the basis of caliber at the end of report period in recent one year.

☐ Available ☒ Not available

③ Whether the Company's sales revenue for material object is more than labor serdeputy revenue

☒ Yes ☐ No

Sector	Project	Unit	2018	2017	Year-on-year increase or decrease (%)
Wine	Sales volume	Ton	112,600	104,016	8.25%
Brandy	Sales volume	Ton	39,315	39,130	0.47%

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

☐ Available ☒ Not available

④ The fulfillment of major sales contract signed by the Company up to the report period

☐ Available ☒ Not available

⑤ Composition of operating costs

Classification of sector and product

Unit: CNY

Sector	Project	2018		2017		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic beverage	Blending liquor	981,838,789	52.42%	929,487,468	56.48%	-4.06%
	Packing material	633,281,194	33.81%	525,292,149	31.92%	1.89%
	Wages	63,385,522	3.38%	57,733,717	3.51%	-0.12%
	Manufacturing expenses	194,485,534	10.38%	133,177,282	8.09%	2.29%

Unit: CNY

Sector	Project	2018		2017		Year-on-year increase or
		Amount	Proportion in the	Amount	Proportion in the	

			operating cost (%)		operating cost (%)	decrease (%)
Wine	Blending liquor	759,623,724	52%	711,224,945	56.16%	-4.16%
	Packing material	484,791,303	33.19%	395,026,889	31.19%	1.99%
	Wages	54,718,770	3.75%	47,843,744	3.78%	-0.03%
	Manufacturing expenses	161,721,616	11.07%	112,295,874	8.87%	2.20%
Brandy	Blending liquor	217,997,239	54%	204,764,927	58.12%	-4.12%
	Packing material	144,272,064	35.74%	117,982,142	33.49%	2.25%
	Wages	8,666,752	2.15%	9,678,688	2.75%	-0.60%
	Manufacturing cost	32,763,918	8.12%	19,903,211	5.65%	2.47%

⑥ Whether there are changes of consolidation scope during the report period

☒Yes ☐No

According to the *Share Sale & Purchase Agreement* signed by the Company and the shareholders of Kilikanoon Estate Pty Ltd on December 5th, 2017, the acquisition of 80% equity of Kilikanoon Estate Pty Ltd is based on AUD20,860,825 (equivalent to CNY107,194,420). The Company completed the equity transfer on January 18th, 2018, and obtained control over the financial and operating policies of Kilikanoon Estate Pty Ltd. This company is included in the consolidate scope during the report period.

⑦ Major changes or adjustments of the Company's businesses, products or serdeputys during the report period

☐Available ☒Not available

⑧ Information of major sales customers and major suppliers

The Company's major sales customers

The total sales amount of the top five customers (CNY)	183,898,220
The proportion that total sales amount of the top five customers accounting for the annual total sales amount (%)	3.58%
The proportion that sales amount of the related party in the total sales amount of the top five customers accounting for the annual total sales amount (%)	0%

Information of the Company's 5 biggest sales customers

No.	Customer name	Sales amount (CNY)	Proportion in total sales for the year (%)
1	Changyuexin Trading Company Limited in Shenzhen city	55,734,499	1.08%
2	Haikou Heshunxin Trading Company Limited	35,693,617	0.69%
3	Xinbaicheng Food Firm in Hanjiang district of Putian city	32,959,410	0.64%
4	Fuzhou Shengshihanggang Trading Company Limited	30,794,332	0.60%
5	Fengxiang Grocery Store in Hui'an town	28,716,363	0.56%
Total	--	183,898,221	3.58%

Other situation explanations of major customers

☐ Available ☒ Not available

Information on the Company's main suppliers

The total purchase amount of the top 5 suppliers	583,902,258
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount	37.75%
The proportion of the related party purchase amount in the top 5 supplier purchase amount in annual purchase amount	11.2%

Information on the Company's top 5 biggest suppliers

No.	Supplier name	Purchase amount (CNY)	Proportion in total purchase for the year (%)
1	Yantai Shenma Packaging Co., Ltd.	173,238,289	11.20%
2	Yantai Changyu Glass Co.,Ltd.	123,686,048	8%
3	Liquan Sales Department of Shandong Yantai Winery Co.,Ltd.	116,840,313	7.55%
4	Xinjiang Yuyuan Liquor Co.,Ltd.	108,763,517	7.03%
5	The Xinjiang Production and Construction Corps the 152 th Group of the 8 th Agricultural Division	61,374,092	3.97%
Total	--	583,902,259	37.75%

Other situation explanations of main suppliers

☐ Available ☒ Not available

(3) Expense

Unit: CNY

	2018	2017	Year-on-year increase or decrease (%)	Explanation of significant changes
Sales expense	1,274,599,146	1,272,522,443	0.16%	Mainly because of the increase of salary and welfare compared with last year
Management expense	343,580,651	336,461,133	2.12%	Mainly because of the increase of salary and welfare as well as amortization of amortization fees compared with last year
Financial expense	35,945,302	18,590,259	93.36%	Mainly because of the increase in loan interest expenditure
Research and Development expense	4,784,118	4,320,825	10.72%	Mainly because of the increase of technology development expenditure

(4) Research and development investment
☐ Available ☒ Not available
(5) Cash flow

Unit: CNY

Item	2018	2017	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	5,080,363,769	4,965,586,341	2.31%
Subtotal of cash outflow in operating activities	4,104,385,023	3,992,343,314	2.81%
Net amount of cash flow generated in operating activities	975,978,746	973,243,027	0.28%
Subtotal of cash inflow in investment activities	423,413,326	216,678,355	95.41%
Subtotal of cash outflow in investment activities	931,261,875	1,036,886,116	-10.19%
Net amount of cash flow	-507,848,549	-820,207,761	38.08%

generated in investment activities			
Subtotal of cash inflow in capital-raising activities	1,114,333,670	1,064,892,130	4.64%
Subtotal of cash outflow in capital-raising activities	1,546,641,222	1,307,993,557	18.25%
Net amount of cash flow generated in capital-raising activities	-432,307,552	-243,101,427	-77.83%
Net increase of cash and cash equivalents	25,971,060	-76,053,030	134.15%

Explanation of main influence factors contributing to great changes in related data on year-on-year basis

☒ Available ☐ Not available

Compared with the same period of last year, during the report period, the subtotal of cash inflow in investment activities increased by 95.41% and the net amount of cash flow generated in investment activities increased by 38.08%, which is mainly due to the increase in cash received from the recovery of investment; subtotal of cash outflow in capital-raising activities increased by 18.25% and net amount of cash flow generated in capital-raising activities decreased by 77.83% year-on-year, which is mainly due to the increase in cash paid for debt repayment; net increase of cash and cash equivalents increased by 134.15%, which is mainly due to the increase in cash received from the recovery of investment.

Explanation on the causes of major differences between the net cash flow generated by the Company's operating activities and net profit of this year during the report period.

☐ Available ☒ Not available

3. Analysis to non-main business

☐ Available ☒ Not available

4. Assets and liabilities

(1) Significant changes of assets composition

Unit: CNY

	At the end of 2018		At the end of 2017		Proportion increase or decrease (%)	Explanation on significant changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,475,700,477	11.25%	1,402,522,509	11.19%	0.06%	No significant

						changes
Receivables	242,153,083	1.85%	263,796,355	2.10%	-0.25%	No significant changes
Inventory	2,724,591,457	20.77%	2,473,614,046	19.73%	1.04%	No significant changes
Investment real estate	31,572,489	0.24%	18,467,989	0.15%	0.09%	No significant changes
Long-term equity investments		0%		0%	0%	No significant changes
Fixed assets	5,749,731,667	43.83%	5,329,083,969	42.51%	1.32%	No significant changes
Construction in progress	759,296,591	5.79%	1,026,141,569	8.19%	-2.40%	No significant changes
Short-term borrowings	688,002,410	5.24%	714,434,286	5.70%	-0.46%	No significant changes
Long-term borrowings	156,480,662	1.19%	156,125,854	1.25%	-0.06%	No significant changes

(2) Assets and liabilities measured at fair value

☐ Available ☒ Not available

(3) Limitations of assets rights up to the end of the report period

At the end of report period, the Company has no assets sealed up, detained or frozen. For information about assets mortgage and pledge, please refer to *Announcement on External Guarantee* (announcement number: 2016-Temporary 021), *Announcement on External Guarantee* (announcement number: 2017-Temporary 015) and *Announcement on External Guarantee* (announcement number: 2018-Temporary 020) disclosed on *China Securities Journal*, *Securities Times* and CNINFO (<http://www.cninfo.com.cn/>) respectively on December 22nd, 2016, December 12th, 2017 and December 5th, 2018.

5. Investment condition

(1) Overall situation

☒ Available ☐ Not available

Investment amount during the report period (CNY)	Investment amount of the same period of last year (CNY)	Variation
450,762,420	634,882,100	-29%

(2) Cases of acquired significant equity investments during the report period
☒ Available ☐ Not available

Unit: CNY

Invested company name	Main business	Investment mode	Investment amount	Shareholding ratio	Capital source	Partner	Investment horizon	Product type	Progress up to balance sheet date	Estimated earnings	Investment profit or loss during the report period	Whether involved in litigation	Disclosure date (if have)	Disclosure index (if have)
Kilikanoon Estate Pty Ltd	Wine production and sale	Acquisition	107,194,420	80.00%	Self-owned	PTO7 Pty Ltd, Woodvale Vintners Pty Ltd, W.J. Duthy Holdings Pty Ltd, Warrick James Duthy	50 years	Wine	All acquisition works have been completed	15,000,000	174,295	No	December 12 th , 2017	Please refer to <i>Announcement on Equity Acquisition of Kilikanoon Estate Pty Ltd in Australia</i> disclosed on <i>China Securities Journal</i> , <i>Securities Times</i> and CNINFO

														(http://www.cninfo.com.cn)
Total	--	--	107,194,420	--	--	--	--	--	--	15,000,000	174,295	--	--	--

(3) Cases of significant ongoing non-equity investments during the report period
☒ Available ☐ Not available

Unit: CNY

Project name	Investment mode	Whether belongs to fixed assets investment	Involved sectors of investment projects	Investment amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Project progress	Estimated earnings	Accumulated realized earnings up to the end of the report period	Reasons for unreached planning schedule and estimated earnings	Disclosure date (if have)	Disclosure index (if have)
Yantai Changyu International Wine City Blending and Cooling Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	217,495,000	1,376,114,100	Owned fund	100%	0.00	0.00	—	2017.04.22	Please refer to <i>Resolution Announcement of Seventh Session Board of Directors 4th Meeting and Resolution Announcement of Seventh Session Board of Directors</i>

Yantai Changyu International Wine City Bottling Center	Self-constructed	Yes		26,510,000	913,200,000	Owned fund	100%	0.00	0.00	—	2017.04.22	8 th Meeting disclosed on <i>China Securities Journal</i> , <i>Securities Times</i> and CNINFO (http://www.cninfo.com.cn/)
Yantai Changyu International Wine City Logistics Center	Self-constructed	Yes		1,300,000	416,507,200	Owned fund	100%	0.00	0.00	—	2017.04.22	
Changyu Vine and Wine Research Institute	Self-constructed	Yes		1,214,800	116,974,800	Owned fund	80%	0.00	0.00	—	2017.04.22	
Treasure Wine Chateau	Self-constructed	Yes		18,830,000	128,820,000	Owned fund	70%	0.00	0.00	—	2017.04.22	
Koya Brandy Chateau	Self-constructed	Yes		11,631,000	147,329,000	Owned fund	85%	0.00	0.00	—	2017.04.22	
Greening Investment	Self-constructed	Yes		20,285,000	73,390,700	Owned fund	100%	0.00	0.00	—	2017.04.22	
SAP informatization for industrial production	Self-constructed	Yes		26,510,000	37,850,000	Owned fund	40%	0.00	0.00	—	2018.04.23	
Fire protection	Self-constructed	Yes		4,570,000	4,570,000	Owned fund	50%	0.00	0.00	—	2018.04.23	

engineering project of research institute												
Maintenance and reconstruction project of Etablissements Roullet Fransac Chateau in COGNAC	Self-constructed	Yes		8,790,200	8,790,200	Owned fund	80%	0.00	0.00	—	2018.04.23	
Oak barrel procurement project	Others	Yes		6,432,000	6,432,000	Owned fund	60%	0.00	0.00	—	2018.04.23	
Total	--	--	--	343,568,000	3,229,978,000	--	--	0.00	0.00	--	--	--

(4) Financial assets investment

① Security investment situation

☐ Available ☒ Not available

There are no security investments for the Company during the report period.

② Derivatives investment

☐ Available ☒ Not available

There are no derivatives investments for the Company during the report period.

(5) The usage situation of raised capital

☐ Available ☒ Not available

There are no usage situations of raised capital for the Company during the report period.

(6) Sale of significant assets and equities

① Sale of significant assets

☐ Available ☒ Not available

There are no sales of significant assets during the report period.

② Sale of significant equities

☐ Available ☒ Not available

(7) Analysis of main 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 assets	Net assets	Operating revenue	Operating profit	Net profit
Yantai Changyu-Castel Wine Chateau Co., Ltd	Subsidiary	Development, production and sale of wine and sparkling wine and tourist serdeputy	USD5million	255,992,191	84,122,529	121,235,278	5,168,651	3,710,124
Chateau Changyu AFIP Global	Subsidiary	Development, production and sale of wine and brandy	CNY642.75million	681,088,671	618,490,126	159,369,783	20,194,892	16,555,846
Dicot Partners, S.L. Hacienda Y Vinedos Marques Del Atrio. sl	Subsidiary	Production and operation of wine and other liquors	EUR2,385,732	563,501,798	127,321,546	327,550,545	2,162,404	3,811,465
Indomita Wine Company Chile, SpA	Subsidiary	Production and operation of wine and other liquors	USD47.19million	515,753,832	362,418,343	262,104,563	21,066,614	15,934,347

Acquisition and disposal of subsidiaries during the report period

☒ Available ☐ Not available

Company name	Mode of acquisition and disposal of subsidiaries during the report period	Effect on overall production management and performance
Kilikanoon Estate Pty Ltd	Equity acquisition	174,295

Explanation on main holding and joint stock companies

The consolidated income of Kilikanoon Estate Pty Ltd shown in main financial information of the important non-wholly owned subsidiaries listed in financial statement's note "8. Equities in other subjects" is a loss. This is due to the "Premium" acquisition when the Company acquired Kilikanoon Estate Pty Ltd. The value-added portion of the asset valuation in the purchase price is subject to the "Amortization" of the asset's useful life (3-20

years) in accordance with the current accounting standards when Changyu consolidating statements. The Company's main overseas companies have good earnings performance of their own.

(8) Situation of the structured subjects controlled by the Company

☐ Available ☒ Not available

(9) Expectation for the Company's future development

On the basis of our limited experience and professional skills, the Company makes the following judgments on the wine industry and future development:

1) The sector competition pattern and development trend

Under uncertainty effects caused by the slowdown of national macroscopic economy growth and the Sino-American trade friction, the overall demand of Chinese wine market is still comparatively weak, the sales growth is weak, and the operation form of the Company is still comparatively severe. The changes of the alcohol consumption environment make the "fragmentation" of wine market become serious, leading to difficulties in selling high-end products. Consumers tend to be more rational, which requires Changyu to make more efforts in improving the cost performance of products. Owing that influx of plenty of imported wines would further compress the domestic wine market shares and the new channels such as E-commerce causes a great impact on the traditional sales channels, the competition in the domestic wine industry will still be fierce at present and in the future long time. Raw material cost, freight and depreciation expense and other expenses are likely to increase, bringing big pressure to the Company's profitability. But in the long run, thanks to increase in their income, more and more people would pursue health and fashion life mode and the people would be in more favor of wines which fit quite well with the trend of consumption. The fixed consumer population of wine is no longer limited to the middle class and high-end people. More and more young people will join the wine consumption army, and middle-aged and old consumers will gradually shift to the ranks of drinking wine for health and health considerations. "Less drinking, drinking good wine, healthy drinking" will become the future development trend, and thus continuously expand the demand for quality wine, which determines the huge market development potential of Chinese wine industry, especially for brandy and wine with better cost performance, which may grow faster. China's post-90s emerging consumer groups have gradually risen, and their strong local awareness will make domestic wines popular with more young consumers. Affected by the head effect, the capacity of controlling whole industrial chain of large-scale enterprises will be further enhanced, and the product segmentation space will be larger and larger, large and strong, small and beautiful will coexist harmoniously. Accurate marketing represented by circle-layer social contact, private-sphere E-business, membership system will be the most effective marketing mode. In such a case of long-term coexistence of opportunities and challenges, those enterprises that possess strong brand influence and marketing ability, catch the opportunities, actively take adjustments, make full use of newly emerging and traditional sales channels, timely satisfy the consumers' demands and provide products with high cost

performance will have the opportunity to be the final winner of competitions, and then form a new pattern of the future Chinese wine market.

2) The Company's development strategy

The Company will insist the development direction of “Focus on middle-and-high level, Focus on high quality, Focus on big product”, comprehensively implement the development strategy of same importance between wine and brandy, endeavour to promote the harmonious development of various liquors, actively expand the scope of consumption field and marketing mode, industriously develop middle-and-high-end wines and brandy, strengthen the marketing level of imported wine and strive to provide consumers with a rich variety of products with high cost performance.

3) Management plan for the new year

In 2019, the Company will try its best to realize operating revenue of not less than CNY5.3 billion and control the main operating costs and three period expenses below CNY3.7 billion.

4) Measures to be taken by the Company

In order to better catch opportunities and face challenges, the Company will take full advantage of self-owned advantages, meet challenges, adhere to market-orientation, intensify internal adjustment and reformation degree, accelerate the launch of new products and the pace of market development, implement the performance assessment mode of mainly focusing on gross profit rate and profit, put attention to do well in following works in 2019 and strive to achieve annual operation targets.

The first is to around the development strategy of focusing on mid-to-high end, focusing on high quality, and focusing on big product, accelerate the internal reform, and further enhance profitability. The Company will firmly consolidate the dominant status in domestic wine, establish the leading position in domestic brandy, bring the advantage of backwardness in imported wine, ensure triple focusing strategy can be implemented on the ground by “constantly, everywhere and everyone”, and promote the comprehensive development of various brands, including wine, brandy and imported liquor. Besides, the Company will further improve sales organization structure, improve relatively independent sales system of each liquor category, establish competitive benchmark of each liquor category and determine catch-up target. Furthermore, the Company will integrate and optimize the organization structure of sales system, complete the transformation from management dealers to serdeputy dealers as soon as possible, future close to market and customers, use less people to manage dealers, enable more people to serve terminals and customers with dealers, ask terminals for sales volume and ask cultivating educating for growth. Dealer team building will be further strengthened, construction of sales team with dealers will be promoted and marking ability of dealers will be enhanced. “Fund pool” will be built with dealers to guarantee market investment in place. New product development will be accelerated. New products introduced for wine includes the new Rena, Castel, AFIP, Tinlot and representative brands of wine in term of mid and low-end, while new products introduced for brandy includes “KOYA 1915”, mid-end Changyu Fine Brandy of 5 star and low-end PEGASE. Moreover, the Company will further improve authorized management system of partial secondary units and promote rapid

development of authorized management units, establish a simulation profit assessment system at all levels, strengthen gross profit rate assessment, and improve sales profitability.

The second is to insist on “originality” spirit, strengthen quality management and produce the best products. The Company will co-ordinate domestic and foreign raw material resources, increase the scale of high-quality raw material bases, establish a quality “lifelong” investigation system for raw material suppliers, and further improve raw material quality. Besides, the Company will make intellectualization and information transformation of production system, strengthen efforts on technological innovation, and comprehensively improve research and development capabilities. Furthermore, the Company will strengthen the construction of winemaker team, establish quality responsibility system of winemaker for brands and with the help of overseas acquisition of enterprise platforms, enhance exchanges and learning of wine makers, improve brewing technique level, and realize big breakthroughs of key links such as internal quality of products.

The third is to further optimize staff structure, compress the scale of production personnel and management personnel. The Company will improve incentive model, adhere to struggle oriented, result oriented and in line with the principle of “Small Adjustment and Big Incentive”, and intensify the incentives of key employees and strivers. Besides, the Company will further establish and improve talent team, enhance the training and introduction of professional talents, create a learning organization, vigorously support and encourage innovation, and enhance the overall enthusiasm, creativity and combat effectiveness of staff.

The fourth is to strictly control the scale of capital expenditure, insist on not investing in other new projects except safety production, quality improvement and started projects. The Company will further revitalize current assets, make full use of advanced production capacity, moderately eliminate backward production capacity, optimize production capacity layout, strive to improve production efficiency and asset utilization, further reduce production costs, and better create value for shareholders.

The fifth is to intensify audit supervision, improve internal control system, and prevent operational risks. The Company will promote the reform of audit system, adjust the set of audit institutions, improve departure audit, and improve the evaluation system for cadres. Besides, the Company will intensify the audit to price implementation, gross profit margin, capital occupation, key expenses and audit of technical transformation projects, and increase efforts to economic responsibility investigation. Furthermore, the Company will improve the assessment methods for responsibility system of leading groups at all levels and strengthen profit oriented. Moreover, the Company will establish and improve the three-in-one supervision system of auditing, finance and discipline committee and achieve “check” and “prevent” simultaneously to reduce management risks.

10. The Company’s receptions of research, communication, visit and other activities

Activity registration form for receptions of research, communication, visit and other activities during the report period

☒ Available ☐ Not available

Reception time	Reception pattern	Type of reception object	Basic situation index of reception
July 2 nd , 2018	Field research	Institution	<i>Yantai Changyu Pioneer Wine Co., Ltd. Investor Relations Activation Record Form</i> of the Company's "Investor Relations Information" on CNINFO (http://www.cninfo.com.cn/)
October 20 th , 2018	Field research	Individual	
October 26 th , 2018	Field research	Individual	
Times of reception			3
Number of institution reception			7
Number of individual reception			21
Number of other objects reception			0
Whether to disclose, reveal and leak material nonpublic information		No	

V. Major issues

1. The Company's ordinary share profit distribution and increasing equity with capital reserve

Ordinary share profit distribution policies especially promulgation, implementation or adjustment of cash dividends policies during the report period

☒ Available ☐ Not available

Deliberated and passed by the 2017 Shareholders' Meeting convened on May 24th, 2018 by the Company, the Company's 2017 annual profit distribution scheme is shown as follows: based on total 685,464,000 shares (including 453,460,800 A shares and 232,003,200 B shares) up to December 31st, 2017, the Company would pay cash dividend to all shareholders registered on the share registration day: CNY5 in cash per ten shares. This time the Company would neither dispatch bonus shares nor increase equity with capital reserve.

Total amount of shares has not changed since the disclosure of the distribution plan to the implementation period.

On June 30th, 2018, the Company published *the Implementation Announcement of 2017 Annual Equity Distribution* on *China Securities Journal*, *Securities Times* and www.cninfo.com.cn, determining that the share registration day and the ex-dividend day of A Share was respectively on July 6th, 2018 and on July 9th, 2018; the last trading day, the share registration day and the ex-dividend day of B Share was respectively on July 6th, 2018, on July 9th, 2018 and on July 11th, 2018.

This time the dispatching objects contain all A Share shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 6th, 2018 and all B Share shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 11th, 2018.

This dispatching has already been completed in mid-July 2018. The profit distribution scheme implemented this time is consistent with the scheme deliberated and passed by the shareholders' meeting. The implementation of the profit distribution scheme for this time is not more than two months after the shareholders' meeting passing it.

Special explanation for the cash dividends policy	
Whether it is in accordance with the requirements of the regulation in the Articles of Association and the resolution of shareholders	Yes
Whether the distribution standard and proportion is clear and definite	Yes
Whether the relevant decision process and mechanism is complete	Yes
Whether the independent directors perform their responsibilities and play the roles	Yes
Whether the small and middle shareholders have the chance to express their addeputys and appeals, as well as their lawful right and interest is in an enough protection	Yes
Whether it is legal and transparent for the condition and process while adjusting and amending the cash dividends policy	Yes

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

The Company's profit distribution scheme in 2016 is as following: Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will be not drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2016, we plan to pay CNY5 in cash as dividends for every ten shares (including tax) to the Company's all shareholders, totaling up to CNY342,732,000 accounting for 34.89% of the net profit CNY982,460,488 attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY639,728,488 will be reserved for the distribution of next year.

The Company's profit distribution scheme in 2017 is as following: Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2017, we plan to pay CNY5 in cash as dividends for every ten shares (including tax) to the Company's all shareholders, totaling up to CNY342,732,000, accounting for 33.22% of the net profit CNY1,031,695,056 attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY688,963,056 will be reserved for the distribution of next year.

The Company's profit distribution scheme in 2018 is as following: Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2018, we plan to pay CNY6 in cash as dividends for every ten share (including tax) to the Company's all shareholders, totaling up to CNY411,278,400 accounted for 39.45% of net profits CNY1,042,632,929 attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY631,354,529 will be reserved for distribution in the next year.

The Company's ordinary share cash dividend record in recent three years (including the report period)

Unit: CNY

Year of distribution	Amount of cash dividend (including tax)	Net profit belonging to the listed company's shareholders in the consolidated statement of the distribution year	Proportion in the net profit belonging to the listed company's shareholders in the consolidated statement (%)	Amount of cash dividends(eg. shares buy-back) in other ways	Proportion of cash dividends in other ways	Amount of cash dividend (including other ways)	Proportion (including other ways) in the net profit belonging to the listed company's shareholders in the consolidated statement (%)
2018	411,278,400.00	1,042,632,929.00	39.45%	0.00	0.00%	411,278,400.00	39.45%
2017	342,732,000.00	1,031,695,056.00	33.22%	0.00	0.00%	342,732,000.00	33.22%
2016	342,732,000.00	982,460,488.00	34.89%	0.00	0.00%	342,732,000.00	34.89%

During the report period, the Company earned profit, the profit of the parent company that could be distributed to ordinary share shareholders was positive but without proposing ordinary share cash dividend distribution preliminary scheme.

☐ Available ☒ Not available

2. The Company's preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve for the report period

☒ Available ☐ Not available

Number of sending bonus shares per ten shares (share)	0
Number of dividend payout per ten shares (CNY) (including tax)	6
Number of transferring per ten shares(share)	0
The cardinal number of the capital stocks for the preliminary distribution scheme (share)	685,464,000
Total cash dividend distribution (CNY) (including tax)	411,278,400
Amount of cash dividends(eg. shares buy-back) (CNY) in other ways	0
Total cash dividend distribution (CNY) (including other ways)	411,278,400
Attributable profit (CNY)	1,042,632,929
The proportion of cash dividend distribution in the total profit distribution(including other ways)	100%

Cash dividend distribution this time

If the Company's development is in growth stage and major capital expenditure is arranged, while making profit distribution, the proportion of cash dividends should takes up no less than 20% in this profit distribution.

Detailed explanation for the preliminary scheme of profit distribution or increasing equity with capital reserve

According to the audit result from Deloitte Hua Yong Certified Public Accountants Firm, the net profit belonging to the parent company's stockholders in the consolidated statement in 2018 is CNY1,042,632,929 and the net profit of the parent company in financial statement in 2018 is CNY969,588,573.

According to PRC accounting standard, the situation for attributable profits of the consolidation and the parent company in 2018 as following:

Unit: CNY

	Consolidation	Parent company
Undistributed profits at the end the year	8,008,982,547	8,437,957,128
Including: net profits in 2018	1,042,632,929	969,588,573
Undistributed profit carried forward of the beginning of the year	7,309,081,618	7,811,100,555
Distribution of 2017 dividends	342,732,000	342,732,000
Withdrawal legal surplus reserve	0	0

According to regulation of 157th item in the *Articles of Association*, which is that "the Company can distribute dividends either in cash or by stock, the profit to be distributed each year is not less than 25% of the distributable profit realized in the same year and the accumulated sum of profit to be distributed in cash in the last three years is not less than 30% of the yearly average distributable profit to be realized in the last three years". Meanwhile, considering the large amount on the capital expenditure in 2019, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2018 as following:

Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company's 685,464,000 shares at total up to December 31st, 2018, we plan to pay CNY 6 in cash as dividends for every ten shares (including tax) to the Company's all

stockholders, totaling up to CNY411,278,400, accounting for 39.45% of the net profit CNY1,042,632,929 attributable to the shareholders of the parent company in the consolidated statement; the retained undistributed profit of CNY631,354,529 will be reserved for the distribution of next year. The cash dividend distributed to shareholders of domestic listed foreign shares (B share) is paid in Hongkong dollar converted based on the middle rate between CNY and Hongkong dollar issued by the People's Bank of China on the first working day after the resolution date of 2018 shareholders' meeting.

3. Implementation of commitments

(1) 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	May 18 th , 1997	Forever	Has been performing strictly
	Yantai Changyu Group Co., Ltd.	Clear the use of trademark royalty	According to <i>Trademark License Contract</i> , the trademark royalty of Changyu and other trademarks paid by the Company to Yantai Changyu Group Co., Ltd ever year is mainly used for advertising Changyu and other trademarks and this contract	May 18 th , 1997	Forever	According to <i>Trademark License Contract</i> , the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks and contract products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai Changyu Group Co., Ltd. has

			products by Yantai Changyu Group Co., Ltd.			been performing its commitment.
Equity incentive commitments						
Commitments at middle and small shareholders of the Company						
Commitment under timely implementation or not	No					
Whether or not to have specific reasons of the unimplemented commitment and next steps	<p>According to the <i>Trademark License Contract</i> (hereafter referred to as “the Contract”), Changyu Group promises that the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks and contract products. But above-mentioned ‘mainly’ is not a specific number, which is easy to cause divergence due to different understanding and leads to problem appearance during the implementation process.</p> <p>From 2013 to 2017, Changyu Group collected a total of CNY420,883,902 trademark use fee, of which 51% was used to publicize trademarks including Changyu and contract products with amount of CNY214,650,790. The amount has been used to publicize trademarks including Changyu and contract products is CNY50,025,181, with a balance of CNY164,625,609.</p> <p>In 2018 and 2019, the trademark use fee collected of 2017 and 2018 is CNY155,623,907, of which 51% is used to publicize trademarks including Changyu and contract products with amount of CNY79,368,193. The amount has been used to publicize trademarks including Changyu and contract products is CNY12,225,187, with a balance of CNY67,143,006.</p> <p>Since 2013, the accumulated balance of Changyu Group using to publicize trademarks including Changyu and contract products is CNY231,768,615.</p> <p>Changyu Group promises that the four-year trademark use fee from 2019 to 2022 will be used for offset. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence. If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc in order to implement the commitment.</p>					

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

☐ Available ☒ Not available

4. 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.

5. Explanation of *Non-standard Audit Report* given by accounting firm in the report period from board of directors, board of supervisors and independent directors (if have)

☐ Available ☒ Not available

6. Compared with the last year's financial report, explanation for the changes of accounting policy, accounting estimation and accounting method

☐ Available ☒ Not available

There is no situation for the changes of accounting policy, accounting estimation and accounting method.

7. The situation explanation for the correction of major accounting errors which need to be retrospect and restated during the report period

☐ Available ☒ Not available

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

8. Compared with the last year's financial report, explanation for the changes of the consolidated statements scope

☒ Available ☐ Not available

According to *Share Sale & Purchase Agreement* signed on December 5th, 2017 between the Company and shareholders of Kilikanoon Estate Pty Ltd, the Company acquired 80% equity of Kilikanoon Estate Pty Ltd with the price of AUD20,860,825 (equivalence CNY107,194,420) to. The Company has completed equity transfer on January 18th, 2018, obtaining control rights of finance and business policy for Kilikanoon Estate Pty Ltd. During the report period, this company has been included in the scope of consolidated statements.

9. The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	Deloitte Hua Yong Certified Public Accountants
-------------------------------	--

	Firm (special general partnership)
Remuneration for domestic accounting firm (CNY'0000)	198
Consecutive period for the audit serdeputys of domestic accounting firm	6
Name of certified public accountant for the audit serdeputys of domestic accounting firm	Xie Yanfeng, Li Yangang
Consecutive period for the certified public accountant's audit serdeputys of domestic accounting firm	—
Overseas accounting firm name (if have)	0
Remuneration for overseas accounting firm (CNY'0000) (if have)	0
Consecutive period for the audit serdeputys of overseas accounting firm (if have)	—
Name of certified public accountant for the audit serdeputys of overseas accounting firm (if have)	—
Consecutive period for the certified public accountant's audit serdeputys of overseas accounting firm (if have)	—

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

☐ Yes ☒ No

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

☐ Available ☒ Not available

10. Face of suspension and termination of listing after the disclosure of annual report

☐ Available ☒ Not available

11. Bankruptcy reorganization

☐ Available ☒ Not available

There is no bankruptcy reorganization during the report period.

12. Material litigation and arbitration

☐ Available ☒ Not available

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

13. Penalty and rectification

☐ Available ☒ Not available

There are no penalties or rectifications during the report period.

14. Credit of the Company, holding shareholders and actual controllers

☐ Available ☒ Not available

15. 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 during the report period.

16. Significant related transactions

(1) Related transactions in relation to daily operations

☒ Available ☐ Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY'0000)	Proportion accounting for amount of similar transactions	Approved transaction quota (CNY'0000)	Whether exceed approved transaction quota	Clearing form	Available market price of similar transactions	Disclosure date	Disclosure index
Yantai Shenma Packaging Co., Ltd.	Controlled by the same parent company	Purchase and commission processing	Purchase and commission processing packing materials	Agreement pricing	Determined by agreement	17,324	9.08%	18,000	No	Cash	No	April 23 rd , 2018	-
Yantai Changyu Group Co. Ltd.	Parent company	Licensed use of intangible assets	Licensed use of trademark and patent	Agreement pricing	Determined by agreement	7,398	100.00%	7,600	No	Cash	No	April 23 rd , 2018	-
Total				-	-	24,722	--	25,600	-	-	-	-	-
Details of the return of large sales				No									
Actual performance of the estimated total amount for daily operations related transactions by category that will occur during this period. (if have)				No									
Reason for the deference between transaction price and market reference price(if available)				Not available									

(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 transactions

☒ Available ☐ Not available

Whether or not existing non-operating related credit and debt transactions

☐ Yes ☒ No

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

(5) Other major related transactions

☐ Available ☒ Not available

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

17. Major and important contracts and execution results**(1) Trusteeship, contract and leasehold issues****① Trusteeship situation**

☐ Available ☒ Not available

There is no trusteeship situation during the report period.

② Contract situation

☒ Available ☐ Not available

Contract situation description

During the report period, about the Company's contract operation situation, please see "1. The structure of Enterprise group" in Annex 8 "Rights and interests of other subject" 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 1st, 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 1st, 2017 to December 31st, 2021. On January 1st, 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 1st, 2017 to December 31st, 2021.

On July 1st, 2017, this company signed a house-leasing contract with Yantai Shenma Packaging Company Limited. According to this contract, since July 1st, 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 30th, 2022.

For other leasehold situation, please refer to financial report.notes.

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

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	34160	2016.12.21	34160	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)		34160		Balance of the actual external guarantee by the end of the report period (A4)		34160		
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	2016.10.31	10,000	2016.11.05	10,000	Joint liability assurance	2 years	No	Yes

Yantai Changyu Pioneer Wine Co. Ltd. 2018 Annual Report

Yantai Changyu Pioneer Wine Co., Ltd. 2016 Annual Report								
Pioneer Wine Company Limited								
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	7100	2018.01.09	7100	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 subsidiaries during the report period (C1)		0		Total of the actual guarantee amount for subsidiaries during the report period (C2)		5,488		
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				13.42%				
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				
Explanation for undue guarantees that have happened warranty liability or				No				

may take joint payback liabilities during the report period (if have)	
Explanation for violating due process to provide external guarantee (if have)	No

Specific explanation on adopting complex guarantee type

No.

② Illegal external guarantee

☐ Available ☒ Not available

There is no illegal guarantee situation during the report period.

(3) Entrusting others to manage cash assets

① Financial management entrustment

☐ Available ☒ Not available

There is no financial management entrustment during the report period.

② Loan entrustment

☐ Available ☒ Not available

There is no loan entrustment during the report period.

(4) Other important contracts

☐ Available ☒ Not available

There are no other important contracts during the report period.

18. Social Responsibility

(1) Social responsibility performance

Please refer to *2018 Annual Social Responsibility Report* disclosed on *Securities Times*, *China Securities Newspaper* and www.cninfo.com.cn by the Company.

(2) Targeted poverty alleviation social responsibility performance**① Targeted poverty plan**

The Company has reached the mutual agreement with Zhuqiao Town Party Committee Government and Da Langya Village Committee to establish professional grape cooperative. It plans to help to conduct the construction of 100 mu of vineyard per year from 2019 to 2021 with a total area of 300 m and also to sign grape purchase contract in order to help local villagers to get rid of poverty and become better off.

② Summary of annual targeted poverty

Related leaders of the Company visited the village three times, held meetings three times and assisted to drill three wells.

③ Targeted poverty effectiveness

The Company has completed initial preparation work of targeted poverty effectiveness for Da Langya Village.

④ Subsequent targeted poverty plan

No

(3) Environmental protection related situation

Whether the listed company and its subsidiaries belong to major polluters published by the environmental protection department

☐ Available ☒ Not available

The mainly pollutant of the Company is the sewage generated in the productive process, which has been discharged with reached standards. There is no pollution situation occurred during this report period.

19. Other Major issues

☐ Available ☒ Not available

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

20. 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

	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	100.00%						685,464,000	100.00%
(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	100.00%						685,464,000	100.00%

Cause of share change

☐ Available ☒ Not available

Approval of share change

☐ Available ☒ Not available

Transfer of changed shares

☐ Available ☒ Not available

Implementation progress of share buy-back

☐ Available ☒ Not available

Implementation progress of reducing holding repurchased share through the way of centralized bidding

☐ Available ☒ Not available

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

☐ Available ☒ Not available

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

☐ Available ☒ Not available

(2) Changes in restricted shares

☐ Available ☒ Not available

2. Securities issuance and listing situation

(1) Securities issuance (exclude preferred share) during report period

☐ Available ☒ Not available

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

☐ Available ☒ Not available

(3) Current employee shares

☐ Available ☒ Not available

3. Situation for shareholders and the actual controllers**(1) The number of shareholders of the Company and the shareholdings**

Unit: share

Total shareholders in the report period	42,980	Total number of shareholders by the end of last month before the disclosure day of the annual report	45,104	Total number of preferred shareholder recovering voting power by the end ofreport period (if have) (see note 8)	0	Total number of preferred shareholder recovering voting power by the end of last month before the disclosure day of the annual report (if have) (see note 8)	0	
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held until the end of the report period	Changes during the report period	Number of restricted shares	Number of unrestricted shares	Pledged or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO. LTD.	Domestic non-state-owned legal person	50.40%	345,473,856			345,473,856		0
GAOLING FUND,L.P.	Foreign legal person	3.08%	21,090,219			21,090,219		0
CHINA	State-owned legal person	2.25%	15,440,794			15,440,794		0

SECURITIES FINANCE CORP								
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826			15,241,826		0
SHENWAN HONGYUAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	1.22%	8,347,663			8,347,663		0
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.89%	6,100,762			6,100,762		0
TAIKANG LIFE INSURANCE LIMITED LIABILITY COMPANY-- UNIT --LINKED-- INDUSTRY CONFIGURATION	Domestic non-state-owned legal person	0.75%	5,159,757			5,159,757		0
GUOTAI JUNAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	0.74%	5,043,507			5,043,507		0
CENTRAL HUIJIN	State-owned legal person	0.69%	4,761,200			4,761,200		0

ASSET MANAGEMENT LIMITED								
TAIKANG LIFE INSURANCE LIMITED LIABILITY COMPANY-DIVIDEND-019L-FH002 SHEN	Domestic non-state-owned legal person	0.69%	4,746,954			4,746,954		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, there is associated relationship between Taikang Life Insurance Limited Liability Company- Unit-linked- Industry Configuration and Taikang Life Insurance Limited Liability Company- Dividend- Personal dividend-019L-FH002 Shen. 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				15,440,794	A		15,440,794	
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD				15,241,826	B		15,241,826	

SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	8,347,663	B	8,347,663
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,100,762	B	6,100,762
TAIKANG LIFE INSURANCE LIMITED LIABILITY COMPANY-- UNIT --LINKED-- INDUSTRY CONFIGURATION	5,159,757	A	5,159,757
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	5,043,507	B	5,043,507
CENTRAL HUIJIN ASSET MANAGEMENT LIMITED	4,761,200	A	4,761,200
TAIKANG LIFE INSURANCE LIMITED LIABILITY COMPANY-DIVIDEND-PERSONAL DIVIDEND-019L-FH002 SHEN	4,746,954	A	4,746,954
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, there is the associated relationship between Taikang Life Insurance Limited Liability Company- Unit-linked- Industry Configuration and Taikang Life Insurance Limited Liability Company- Dividend- Personal dividend-019L-FH002 Shen. 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.

(2) Situation for the controlling shareholders of the Company

Property of holding shareholders: Property of holding main body undefined

Type of holding shareholders: Legal representative

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Main business
Yantai Changyu Group Co. Ltd.	Zhou Hongjiang	1997.04.27	913706002656458244	Production and distribution of wine, healthy liquor, distilled liquor and non-alcohol beverages, planting of agricultural products and export business under the scope of permission.
Equity situation for the other domestic listed companies controlled or shared by the controlling shareholders during the report period	No.			

Changes in the controlling shareholder during the report period

☐ Available ☒ Not available

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

(3) Situation for the actual controllers of the Company

Property of actual controllers: domestic other institutions; foreign other institutions

Type of actual controllers: Legal representative

Name of actual controllers	Legal representative	Establishment date	Organization code	Main business
Yantai Yuhua Investment	Jiang Hua	2004.10.28	76779294—7	Under state permission, property investment, tenancy of machine and facility,

& Development Co. Ltd				wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electronical products, grape plantation.
ILLVA Saronno Holding Spa	Augusto Reina	1984.07.25	—	Directly or indirectly conduct the production and distribution of food products (alcoholic products included) as well as industrial, commercial, financial and serdeputy activities of any other kinds through joint-stock companies and organizations
International Finance Corporation	Philippe LE HOUEROU	1956.07.25	—	International Finance Corporation is one of the members of World Bank, mainly dedicated to investment in private sectors of developing countries while providing technical support and consultation serdeputy. The corporation is a multilateral financial institution that ranks first in the world in terms of providing capital stock and loans to developing countries. Its purpose is to promote sustainable investments of private sectors of developing countries in order to alleviate poverty and improve people's life.
Yantai Guofeng Investment Holdings Co., Ltd	Rong Feng	2009.02.12	00426068-6	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing serdeputy business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.(Projects need to be

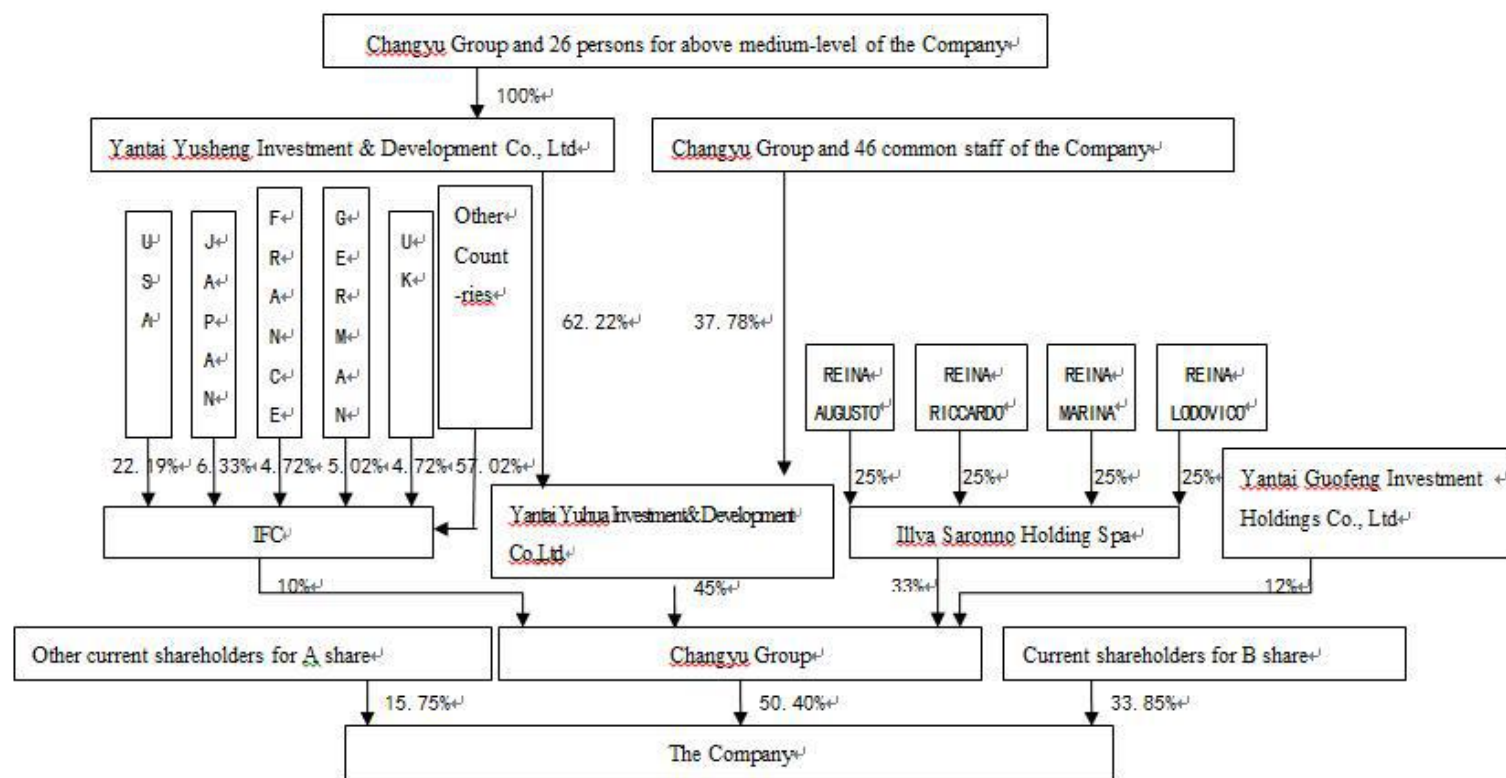
				authorized in accordance with the law could carry out business activities only after the approval of relevant departments)
Equity situation for the other domestic listed companies controlled by the actual controller during the report period	No			

Changes of the actual controllers during the report period

☐ Available ☒ Not available

There are no changes in actual controllers during the report period.

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



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

☐ Available ☒ Not available

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

☐ Available ☒ Not available

(5) Shares reduction situations of holding shareholders, actual controllers, restructuring side and other commitment subjects

☐ Available ☒ Not available

VII. Related Situation of Preferred Shares

☐ Available ☒ Not available

There are no preferred shares during the report period.

VIII. Situation for Directors, Supervisors, Senior Executives and Staff

1. Changes in shareholdings of directors, supervisors and senior executives

Name	Post	Status	Gender	Age	Beginning date of the post	Ending date of the post	Shares held at the beginning of the period	Increased shares during the period	Decreased shares during the period	Other changes of shares held	Shares held at the end of the period
Zhou Hongjiang	Chairman	present incumbent	M	54	2002.05.20	2019.05.27	0	0	0	0	0
Sun Liqiang	Director	present incumbent	M	71	1997.09.18	2019.05.27	0	0	0	0	0
Leng Bin	Director	present incumbent	M	56	2000.08.22	2019.05.27	0	0	0	0	0
Sun Jian	General manager	present incumbent	M	52	2006.03.22	2019.05.27	0	0	0	0	0
Qu Weimin	Director and Secretary to the Board of Directors	present incumbent	M	61	1997.09.18	2019.05.27	0	0	0	0	0
Zhang Ming	Director	present incumbent	M	45	2016.05.26	2019.05.27	0	0	0	0	0
Augusto Reina	Director	present incumbent	M	78	2006.12.07	2019.05.27	0	0	0	0	0
Aldino Marzorati	Director	present	M	66	2006.12.07	2019.05.27	0	0	0	0	0

		incumbent									
Antonio Appignani	Director	present incumbent	M	80	2006.12.07	2019.05.27	0	0	0	0	0
Wei Anning	Director	present incumbent	M	55	2017.06.15	2019.05.27	0	0	0	0	0
Wang Zhuquan	Independent director	present incumbent	M	53	2014.05.23	2019.05.27	0	0	0	0	0
Wang Shigang	Independent director	Present incumbent	M	53	2011.05.10	2019.05.27	0	0	0	0	0
Luo Fei	Independent director	Present incumbent	M	66	2016.09.23	2019.05.27	0	0	0	0	0
Liu Yan	Independent director	Present incumbent	F	45	2016.09.23	2019.05.27	0	0	0	0	0
Guo Guoqing	Independent director	Present incumbent	M	56	2018.12.04	2019.05.27	0	0	0	0	0
Kong Qingkun	Chairman to the Board of Supervisors	present incumbent	M	46	2013.05.14.	2019.05.27	0	0	0	0	0
Zhang Lanlan	Supervisor	present incumbent	F	49	2013.05.14.	2019.05.27	0	0	0	0	0
Liu Zhijun	Supervisor	present incumbent	M	38	2016.05.26	2019.05.27	0	0	0	0	0
Yang Ming	Deputy general manager	Leaving the post	M	60	1998.08.12	2018.02.28	0	0	0	0	0
Li Jiming	Chief engineer	present incumbent	M	52	2001.09.14	2019.05.27	0	0	0	0	0
Jiang Hua	Deputy general manager	present incumbent	M	55	2001.09.14	2019.05.27	0	0	0	0	0

Peng Bin	Deputy general manager	present incumbent	M	52	2018.01.10	2019.05.27	0	0	0	0	0
Jiang Jianxun	Chief financial officer	present incumbent	M	52	2018.01.10	2019.05.27	0	0	0	0	0
Pan Jianfu	General manager assistant	present incumbent	M	43	2018.04.19	2019.05.27	0	0	0	0	0
Liu Shilu	General manager assistant	present incumbent	M	44	2018.04.19	2019.05.27	0	0	0	0	0
Xiao Zhenbo	General manager assistant	present incumbent	M	42	2018.04.19	2019.05.27	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

2. Changes in the Company's directors, supervisors and senior executives
☒ Available ☐ Not available

Name	Position	Type	Date	Reason
Sun Liqiang	Chairman	Leaving the post	2017.12.08	Volunteer to resign as chairman and no longer serve as chairman; currently serve as director of the Company
Zhou Hongjiang	Deputy Chairman	Leaving the post	2018.01.10	Volunteer to resign as deputy chairman, no longer serve as deputy chairman and be elected as chairman; currently serve as chairman of the Company
Zhou Hongjiang	General Manager	Dismission	2018.01.10	Volunteer to resign as general manager and no longer serve as general manager; currently serve as chairman of the Company
Zhou Hongjiang	Chairman	Appointment and dismission	2018.01.10	Be elected as chairman of the Company
Leng Bin	Deputy general manager	Dismission	2018.01.10	Volunteer to resign as deputy general manager and no longer serve as deputy general manager; currently serve as director of the Company
Sun Jian	Deputy general manager	Appointment and dismission	2018.01.10	Be appointed as general manager and dismissed from the post of deputy general manager; currently serve as general manager of the Company

Peng Bin	Deputy general manager	Appointment and dismissal	2018.01.10	Be appointed as deputy general manager and currently serve as deputy general manager of the Company
Jiang Jianxun	Chief financial officer	Appointment and dismissal	2018.01.10	Be appointed as chief financial officer and currently serve as chief financial officer and financial manager of the Company
Guo Guoqing	Independent director	Appointment and dismissal	2018.12.04	Be appointed as independent director.

3. Situation for work experience

The professional background, main work experiences and present positions of the Company's directors, supervisors and senior executives

(1) Members of Board of Directors

Mr. Zhou Hongjiang, male, 54, Chinese, with doctor degree, senior engineer, was the representative of the 12th National People's Congress, deputy general manager of the Company and general manager of the Sale Company. From 20th May, 2002 to 10th January, 2018, he served as director, deputy chairman and general manager of the Company and concurrently deputy chairman of Changyu Group. He is the representative of the 13th National People's Congress, chairman of the Company, chairman and party secretary of Changyu Group now.

Mr. Sun Liqiang, male, 71, Chinese, with college degree, senior economist, was the representative of the 10th and 11th National People's Congress. From 18th September, 1997 to 10th January, 2018, he served as chairman of the Company, and concurrently chairman and general manager of Changyu Group. He is director of the Company now.

Mr. Leng Bin, male, 56, Chinese, with master degree, senior accountant, was deputy section chief and section chief of Yantai Audit Bureau, he served as director and deputy general manager of the Company from 15th June, 2000 to 10th January, 2018. He is director of the Company, and concurrently deputy party secretary, director and general manager of Changyu Group now.

Mr. Qu Weimin, male, 61, Chinese, bachelor of engineering, senior economist, worked at Yantai Commission for Restructuring the Economic System and Research Office of Yantai Government and has more than 20 years of experience in the aspect of macroeconomic study and enterprise operation and management, he was deputy general manager of the Company. He has served as director and concurrently secretary to the board of directors of the Company since 18th September, 1997.

Mr. Zhang Ming, male, 45, Chinese, with bachelor degree, senior engineer, was planner of Yantai Synthetic Leather General Factory, plan specialist of business department, deputy section chief of plan and statistic section in assets management department and section chief of plan and statistic section in assets management department in Yantai Wanhua Synthetic Leather Group Co., Ltd, risk control section chief of Yantai Guofeng Investment Holding Co., Ltd. and concurrently director and deputy general manager of Yantai Guoyu Finance Lease Co., Ltd, deputy general manager and secretary to the board of directors of Wanhua Efficient Technology Group Co., Ltd. and general manager of Yantai State-owned Asset Management Co., Ltd., chairman of Yantai Guofeng Investment Holding Co., Ltd. He is director of the Company.

Mr. Augusto Reina, male, 78, Italian, is now serving as chief executive officer of several companies including Illva Saronno Holding SpA and Illva Saronno Investment SRL, member of the board of directors of Barberini Spa, director of Federvini (Italian Alcohols Production and Export Association), director of Istituto Del Liquore (Wine Research Institute), director of Assovini (Sicily Viniculture and Wine Production Association) and director of Changyu Group. He has been director of the Company since 27th April, 2006.

Mr. Aldino Marzorati, male, 66, Italian, with bachelor degree, is now the general manager of Illva Saronno Holding SpA and director of the board of directors of some branches under the group company and the director of Changyu Group. He has been director of the Company since 27th April, 2006.

Mr. Antonio Appignani, male, 80, Italian, with bachelor degree, is deputy chairman of Italian Business Consultation Committee, chief of Professional Ethics Committee, teacher of vocational training course of Industrial and Commercial Consultation Committee, member of Economic and Commercial Committee of the public university “G. D Annunzio” and concurrently serving as member of the board of directors of different companies and member of the board of directors of several companies under Illva Group and the director of Changyu Group.

Mr. Wei Anning, male, Chinese, 55, with doctor degree, ever served as agricultural economist of the World Bank, director of North East Asia Food & Agribusiness Research of the Rabobank, China CEO of the Fortis Bank Belgium, executive deputy president of the New Hope Group (Sichuan), president of Shandong Liuhe Group, director of Hangzhou United Rural Commercial Bank Co., Ltd, director of Xinjiang Kuntai Group Co., Ltd., chairman of the Shandong Chinwhiz Group. He is good at corporate governance, enterprise development strategy and equity investments. Now, he is serving as executive director and general manager of Shanghai Gueva Fund Management Co., Ltd Co., Ltd, executive director of both Ningxia Gueva Fund Management Co., Ltd and Ningbo Gueva Fund Management Co., Ltd, independent director of Dachan Food (Asia) Co., Ltd, Orient Securities Co., Ltd and Fortune SG Fund Management Co., Ltd., director of Jiangsu Financial leasing Co., Ltd. He is serving as director of the Company.

Mr. Wang Shigang, male, 53, Chinese, MBA and Certified Public Accountant, is now the board chairman of Shandong Tianhengxin Construction Cost Consultation Co. Ltd.. He previously served as independent director of the Company. He acts as the independent director again from 14th May, 2013.

Mr. Wang Zhuquan, male, 53, Chinese, doctor of management (accountancy), first batch of national accounting academic leading personals of Financial Department, the entrant of

accountant master cultivation project of Financial Department, outstanding teacher of Shandong province, Government Special Allowance expert, acted as independent director from 13th May, 2010 to 12th May, 2013. Now he is the professor and the doctoral supervisors of the Ocean University of China as well as independent director of the some listed companies which could be exemplified as Qingdao DoubleStar Co., Ltd. He acts as the independent director of the Company again from 23rd May, 2014.

Mr. Luo Fei, male, 66, Chinese, with doctor degree, visiting scholar of University of Toronto, doctoral supervisors, Government Special Allowance expert, first batch of trans-century subject (academic) leading personals of Financial Department. He successively served as the dean of accounting college in Zhongnan University of Economics and the dean of accounting college in Zhongnan University of Economics and Law. He focuses on the study of financial accounting, cost accounting, financial management, and so on. He has worked in companies for many years and has practical working experience with companies. Now he is serving as independent director of the Company.

Ms. Liu Yan, female, 45, Chinese, with master degree, was honored as national outstanding lawyer in 2005. Her main practice areas include issuing and listing of domestic and foreign stocks, merger and acquisition and foreign investment. She now is the partner of Tian Yuan Law Firm and serving as independent director of the Company.

Mr. Guo Guoqing, male, 56, Chinese, winner of the special allowance of the State Council. He served as a committee member of the 7th All-China Youth Federation, committee member of the 8th, 9th and 10th National Committee of the Chinese People's Political Consultative Conference, representative of the 11th National People's Congress, deputy dean of School of Business Administration of Renmin University of China, deputy secretary general of Zhuhai Municipal People's Government of Guangdong Province, independent director of China Everbright Bank, evaluation expert of the Department of Management Science of the National Natural Science Foundation of China, associate editor of the Journal of Chinese Marking and independent director of China-Tin Group. He currently serves as a professor and doctoral supervisor at the School of Business of Renmin University of China, director of the China Marketing Research Center of Renmin University, deputy president of the China Business History Society, director of the Brand Professional Committee of the China Business History Society, international researcher of Corporate Reputation Center of The University of Oxford, side-bar doctoral tutor and professor of Panyapiwat Institute of Management, consultant of China University Marketing Research Association, director of Gree Real Estate and independent director of Minjiakefeng Information Technology Co., Ltd, Nan Yue Fund, Zhejiang Fengrun Biotech Co., Ltd, Vats Liquor Chain Store Management Joint Stock Co., Ltd. and Livzon Pharmaceutical Group Inc. He serves as independent director of the Company.

(2) Members of board of supervisors

Mr. Kong Qingkun, male, 46, Chinese, MBA and economist, served as the section member of production department in the healthy liquor branch office, clerk and deputy director and director of general manager office.

Ms. Zhang Lanlan, female, 49, with bachelor degree and economist, served as deputy-manager of the Company's import/export company, manager of import department. She now is director of board of directors' office.

Mr. Liu Zhijun, male, 38, Chinese, with bachelor degree, worked in foreign fund section of Economy and Trade Bureau in Longkou economic development zone, served as news section member of propaganda department in Longkou Municipal Committee, member of propaganda and mass work section, member of planning section, deputy director member of programming development and enterprise distribution section, deputy director member and deputy chief of programming development section. He now is supervisor of the Company.

(3) Other senior executives

Mr. Sun Jian, male, 52, Chinese, MBA, served as deputy general manager of the Company from 22nd March, 2006 to 10th January, 2018. He serves as general manager of the Company and director of Changyu Group.

Mr. Li Jiming, male, 52, Chinese, with doctor degree, application researcher, has been serving as chief engineer of the Company since 14th September, 2001 and concurrently director of Changyu Group.

Mr. Jiang Hua, male, 55, Chinese, with master degree, senior engineer, has been serving as deputy general manager of the Company since 14th September, 2001.

Mr. Peng Bin, male, 52, MBA, senior engineer, ever successively served as deputy director of wine-blending workshop and director of wine-storage workshop of Brandy Company under Yantai Changyu Group Company Limited, section chief of Technical Transformation Department and minister of Investment and Development Department as well as deputy general manager of Yantai Changyu Group Company Limited, general manager assistant of Yantai Changyu Pioneer Wine Company Limited. He serves as deputy general manager of the Company.

Mr. Jiang Jianxun, male, 52, Chinese, MBA and accountant, served as Financial Manager of the Company from 20th May, 2002 to 10th January, 2018. He serves as chief financial officer of the Company.

Post in the shareholder's company

☒ Available ☐ Not available

Name	Shareholder's Company	Post	Beginning date of the post	Ending date of the post	Paid by shareholder's company or not
Sun Liqiang	Yantai Changyu Group Co. Ltd.	Chairman and general manager	2013.10.08	2018.01.10	No
Zhou Hongjiang	Yantai Changyu Group Co. Ltd.	Deputy chairman	2013.10.08	2018.01.10	No
Zhou Hongjiang	Yantai Changyu Group Co. Ltd.	Chairman	2018.01.10	2022.01.10	No
Leng Bin	Yantai Changyu Group Co. Ltd.	Director and general manager	2018.01.10	2022.01.10	Yes
Li Jiming	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2022.01.10	No
Sun Jian	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2022.01.10	No
Zhang Ming	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2018.11.15	No
Augusto Reina	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2022.01.10	No
Aldino Marzorati	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2022.01.10	No
Antonio Appignani	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2022.01.10	No
Wei Anning	Yantai Changyu Group Co. Ltd.	Director	2017.04.18	2022.01.10	No
Explanation for the post in the shareholder's company	Mr. Zhou Hongjiang serves as the position of chairman in the shareholders company from 10 th January, 2018 to 10 th January, 2022. Mr. Leng Bin serves as the position of general manager in the shareholders company from 10 th January, 2018 to 10 th January, 2022.				

Post at other companies

☒ Available ☐ Not Available

Name	Other's company	Post at other company	Beginning date of the post	Ending date of the post	Paid by other company or not
Leng Bin	Yantai Changyu Zhongya Medicine & Healthy Liquor Co., Ltd	Director and legal representative	2012.09.10		No
Explanation for the post in the shareholder's company	No.				

Disciplinary actions taken by securities regulators in recent 3 years to the Company's directors, supervisors and senior management both on the job and left during the report period

☐ Available ☒ Not available

4. Salary of directors, supervisors and senior executives

Decision-making process, the basis of determination, the actual payment of directors, supervisors and senior executives

The salary for the independent directors is paid according to the resolution of shareholders' meeting. The salary for the chairman, directors with administration duty, supervisors, managers and other senior management should be paid on basis of the evaluation result according to the *Proposal on Assessment Methods of the Company's Senior Officers' Performance from 2014 to 2017* which was passed during the Board of Directors' meeting.

Salary of directors, supervisors and senior executives during the report period

Unit: CNY'0000

Name	Post	Gender	Age	Status	Total reward from the Company before tax	Whether get reward from related parties of the Company
Zhou Hongjiang	Chairman	M	54	present incumbent	154.81	No
Sun Liqiang	Director	M	71	present incumbent	138.89	No
Leng Bin	Director	M	56	present incumbent	0	Yes
Sun Jian	General manager	M	52	present incumbent	140.41	No
Qu Weimin	Director and Secretary to the Board of Directors	M	61	present incumbent	94.31	No
Zhang Ming	Director	M	45	present incumbent	0	No
Augusto Reina	Director	M	78	present incumbent	0	No
Aldino Marzorati	Director	M	66	present incumbent	0	No
Antonio Appignani	Director	M	80	present incumbent	0	No
Wei Anning	Director	M	55	present incumbent	0	No
Wang Zhuquan	Independent Director	M	53	present incumbent	8	No
Wang Shigang	Independent Director	M	53	present incumbent	8	No
Luo Fei	Independent Director	M	66	present incumbent	8	No
Liu Yan	Independent Director	F	45	present incumbent	8	No
Guo Guoqing	Independent Director	M	56	present incumbent	0.67	No

Kong Qingkun	Chairman to the Board of supervisors	M	46	present incumbent	71.29	No
Zhang Lanlan	supervisor	F	49	present incumbent	21.06	No
Liu Zhijun	supervisor	M	38	present incumbent	0	No
Yang Ming	Deputy-general manager	M	60	leaving the post	17.92	No
Li Jiming	Chief Engineer	M	52	present incumbent	107.19	No
Jiang Hua	Deputy-general manager	M	55	present incumbent	101.19	No
Peng Bin	Deputy-general manager	M	52	present incumbent	105.17	No
Jiang Jianxun	Chief financial officer	M	52	present incumbent	106.84	No
Pan Jianfu	General manager assistant	M	43	present incumbent	78.26	No
Liu Shilu	General manager assistant	M	44	present incumbent	48.32	No
Xiao Zhenbo	General manager assistant	M	42	present incumbent	91.88	No
Total	-	-	-	-	1,310.21	-

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

☐ Available ☒ Not available

5. Staff of the Company

(1) Staff number, specialty constitution and education degree

Incumbent staff number of parent company (people)	1,339
Incumbent staff number of major subsidiary companies (people)	1,894
Total incumbent staff (people)	3,233

Total staff getting paid in current period (people)	3,233
Retired staff number whose expenses are undertaken by parent company or subsidiary companies (people)	0
Specialty constitution	
Category	Number of people (people)
Administrative staff	263
Technical staff	165
Financial staff	152
Production staff	1,000
Sales staff	1,653
Total	3,233
Education degree	
Category	Number (People)
Bachelor and above	1,125
Junior College	1,118
Technical secondary school	546
Senior high school and below	444
Total	3,233

(2) Remuneration policy

The Company builds and improves the remuneration and welfare system, including salary system, incentive mechanism, social security and health insurance and so on, to make sure that all staff could be insured. In accordance with the law, the Company buys social old-age insurance, medical insurance, occupational injury insurance, unemployment insurance and maternity insurance, and pay housing fund for staff. Based on the principle of “distribution according to work, equal pay for equal work”, the Company pays the staff’s remuneration timely. With the increase

of the Company's profitability, the Company steadily improves the staff's remuneration and welfare, and provides the competitive salary income and development space of equal opportunity for staff.

(3) Training plan

In order to further improve the employees' comprehensive quality and professional skill, the Company plans to invest CNY3.02million in 2019 for employee training plan which is shown as follows:

① Senior and Middle-level Managers

1) General training

Employ professional lecturers to the company or through remote network video for centralized lectures could be as methods of training. During the year, four topics will be arranged for middle and senior management staff once for each quarter and one to two days for each training.

2) Professional training

Based on their respective work, organize them to attend Entrepreneur High-end Forum and Summit Meeting and go to domestic and foreign successful enterprise for visit and study; attend university correspondence, self-study examination, MBA or other further education for master degree; organize professional management cadres, to attend vocational qualification examination for professional certificate; to attend special training at least twice a year, such as safety, technology, facility, finance, WSET, tourism etc which are organized by special management department.

② Marketing personnel

1) General training

Independently study marketing textbooks, mainly focusing on '*Growth*', as well as training materials including the company's related management system, production knowledge, sales responsibility system etc.

2) Professional training

Professional lecturers would be employed to the company or through remote internet videos to give lectures about successful liquor cases, current economic trend research for domestic and foreign wine industry and other topic in order to take training for personnel whose level is or above manager assistant in city marketing management company once a quarter and one day for each time; take closed training for city marketing manager on how to improve marketing skill as well as executive force of sales policy once at the start of each month and one day for each time. For business directors and other personnel take a combination training method of hiring lecturers and going out to visit for studying, they could be trained successful marketing cases and marketing management concepts. This training is conducted once a quarter and one day for each time.

③ Production and management personnel whose level are below section chief

1) General training

Set courses that are aiming at improving employee management ability, innovation ability and executive ability, hire a professional lecturer or university teacher to teach at the company two times a year and one day per course; attend common-sense general

training including company culture, regulatory framework and various liquor products knowledge, reinforce training in the aspect of human resources management; independently study training materials provided by the company, such as *Growth* and *Employee Handbook*; attend outdoor quality expansion training once a year.

2) Professional training

Attend university correspondence, self-study examination, MBA or other further education for master degree; attend vocational qualification examination for professional certificate; based on personnel work, attend special training at least twice a year, which are organized by special management department; for different types of work, the Company will organize to attend training which can improve professional skill and operation level; technology backbones would be selected to attend overseas training and learning exchange.

(4) Labor outsourcing

☐ Available ☒ Not available

IX. Corporate Governance

1. Current Corporate Governance Situation of the Company

(1) About shareholders and shareholders' meeting

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

(2) About the Company and holding shareholder

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

(3) About the director and board of directors

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

(4) About supervisor and board of supervisors

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

present their independent opinion on important issues, interrelated deals, financial status, the duty performance of directors and managers of the Company.

(5) About performance evaluation and incentive system

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

(6) About stakeholders

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

(7) About the information disclosure and transparency

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

In order to further perfect the Company's governance system, during the report period, the Company formulates and improves *Opinion of Brand Positioning*, *Assessment Method of Production Order Fulfillment Rate*, *Assessment Method of Safety Management*, *Implementation Plan of Brandy Internal Quality Improvement and Technological Innovation Project*, *Implementation Opinion of Building Technical Communication Platform with Overseas Enterprises*, *Assessment and Evaluation Method of Contracted Bases in 2018*, *Assessment and Evaluation Method of Self-supporting Vineyards* and so on.

Whether or not there is significant variance between the Company's actual situation of corporate governance and the normative documents about listed company governance issued by China Securities Regulatory Commission.

☐ Yes ☒ No

There is no significant variance between the Company's actual situation of corporate governance and the normative documents about listed company governance issued by China Securities Regulatory Commission.

2. Relative to the controlling shareholder, independence of the Company on business, personnel, assets, organization and finance

(1) Personnel Arrangement

The Company's general manager, deputy general managers and other senior officers, all of whom were paid by the Company and did not hold any post in the controlling parties. The Company was entirely independent in personnel arrangement, conclusion and adjustment of

labor contracts thanks to its sound and independent system for labor, personal and salary management.

(2) Assets:

Tangible assets and Intangible assets including trademark, industrial property right and non-patent technologies were all clearly divided between the Company and the controlling shareholder, and all legal formalities were completed. The Company being a legal independent entity consistently conducted business activities legally and provided no guarantee in any form with its assets for its shareholders or individuals' liabilities or any other legal persons or natural persons. The Company owns trademarks including “黄金冰谷”, “爱斐堡”, “爱菲堡”, “爱斐” and “AFIP”, etc. However, due to some issues from the past, the Company permitted to use “Changyu” etc the intangible assets such as part of trademark ownership and patent still held by the controlling shareholders. Except partial trademarks which can not be peeled off “张裕”(Changyu) trademark, trademarks and patents that could have been registered or applied by the Company but were registered or applied by Changyu Group who then authorized the Company for usage will be transferred to the Company by Changyu Group for free before the end of 2019 in order to ensure the independence and completeness of the Company's assets.

(3) Finance

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

(4) Offices

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

(5) Operations

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

3. Situation for Horizontal Competition

☐ Available ☒ Not available

4. 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	63.87%	2018.05.24	2018.05.25	http://www.cninfo.com.cn Resolution Announcement of 2017 Annual Shareholders' Meeting (Announcement no.:2018-Temporary15)
2018 Annual First Interim Shareholders' Meeting	Interim Shareholders' Meeting	64.86%	2018.12.26	2018.12.27	http://www.cninfo.com.cn Resolution Announcement of 2018 Annual First Interim Shareholders' Meeting (Notification no.:2018-Temporary22)

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

☐ Available ☒ Not available

5. Performance of independent directors during the report period**(1) Attendance of independent directors for the board of directors and the shareholders' meeting**

Attendance of independent directors for the board of directors							
Name	Required attendance time	Personal attendance	Communication attendance	Authorized attendance	Absence	Whether or not to attend the meetings personally for successive twice	Attendance time for the shareholders' meeting
Wang Shigang	6	1	4	1	0	No	0
Wang Zhuquan	6	2	4	0	0	No	0
Luo Fei	6	2	4	0	0	No	0
Liu Yan	6	2	4	0	0	No	0
Guo Guoqing	0	0	0	0	0	No	0

Explanation for failed to personally attend the Board of Directors' meetings for successive two times

No

(2) Any objections for the Company's projects from the independent directors

Whether or not the independent directors raised any objection for the Company's projects

☐ Yes ☒ No

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

(3) Other explanations on independent directors' performance

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

☒ Yes ☐ No

Explanation on acceptance or refusal of the independent directors' propositions to the Company

During the report period, some independent directors propose suggestions on prudent investment in tourism project of Changyu International Wine City. They thought that it is a higher risk in the current background of slower growth of domestic economy. The Company accepted the independent directors' opinions and decided to suspend construction of the project.

6. Performance of the special committees under the Board of Directors during the report period

① Auditing Committee: During the report period, the Company's auditing Committee conducted an ex-ante, in-process, and post-event review to related annual report audit work and made relevant arrangements. The auditing Committee believed that 2017 annual financial statements issued by the Company met the requirement of *Accounting Standards for Business Enterprises* and truly and fairly reflected the balance condition up to December 31st, 2017 as well as 2017 annual business performance and cash flow. There were no unsolved major divergences in accounting and auditing or major risk issues affecting the Company's management. The Company operated steadily and had the ability of continuous operations. Proposals including *2017 Annual Self-assessment Report on Internal Control*, *Draft proposal on 2017 Annual Profit Distribution*, *Appointing Certified Public Accountants Firm*, *Change in Accounting Policy*, *2017 Annual Report*, *2018 Semi-annual Report* and *2018 Annual Audit Plan* were deliberated. Auditing committee passed above-mentioned proposals and submitted the related proposals to board of directors for deliberation.

② Emolument Committee: Emolument Committee is responsible for assessment of the economy responsibilities of the directors and the senior executives who receive salaries from the Company and examination of the salary policy and scheme designed for the Company's directors and senior executives. During the report period, the Company held Emolument Committee meeting once. Proposal on 2017 Annual Performance Assessment Results of the Company's Senior Executives was deliberated and passed by the meeting, who thought that this document was in compliance with *Performance Assessment Methods for Company's Senior Executive from 2014 to 2017*. Emolument Committee agreed to submit the related proposals to Board of Directors for deliberation.

During the report period, the Board of Directors' Emolument Committee also examined the 2017 annual payroll records of the directors and the senior managers who receive salaries from the Company and believes that the salaries of the Company's directors, supervisors and

senior managers received from the Company is strictly assessed and delivered based on the Company's economic responsibility assessment system. The salaries disclosed by the Company are in conformity with the actually paid amount.

7. The work of the Board of Supervisors

Whether or not the Board of Supervisors found any existence risk to the Company in oversight activities during the report period

☐ Yes ☒ No

The Board of Supervisors has no objections to supervision matters during the report period.

8. Performance Evaluation and Incentive situations of Senior Management

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

9. Internal Control

(1) Specific situations for significant defects of the internal control found during the report period

☐ Yes ☒ No

(2) Self-assessment report on internal control

Disclosure date for full text of the internal control self-assessment report	2019.04.20
Disclosure index for full text of the internal control self-assessment report	<i>2017 Annual Self Assessment Report on Internal Control</i> and <i>2018 Annual Self Assessment Report on Internal Control</i> disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company on April 23 rd , 2018 and April 20 th , 2019.
Percentage of total unit assets included in scope of the assessment accounting for the Company's total assets of consolidated financial statements	88.34%
Percentage of unit operating income	90.38%

included in scope of the assessment accounting for the Company’s operating income of consolidated financial statements		
Standards of Defect Identification		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Significant defects: one defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which can not be promptly prevented, or found and corrected timely in the financial report. For example: ① Company’s Directors, Supervisors and Senior Management have fraudulent practices; ② The Company makes corrections for the published financial report; ③ The audit of external intermediary agent finds significant misstatement existing in the current financial report, but the Company does not realize it during the operation process; ④ Negative information frequently appears in the medias with involving a wide scope; ⑤ The Company’s audit committee and internal audit department makes an inefficient supervision for internal control; ⑥ Other situations maybe cause significant misdirection which guides the report users to make the right judgment.</p> <p>Major defects: The defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which can not be promptly prevented, or found and corrected timely in the financial report, although the misstatements neither achieves nor exceeds the importance level but still arising the attention of Board of Directors and management team. ① Failure to select and apply accounting regulations in accordance with generally accepted accounting principles; ② Failure to establish the anti-fraud procedures and control measures; ③ Failure to set up corresponding control mechanism or to carry out and take corresponding compensating control for the accounting treatments with irregular and special deal; ④ Negative news appears in the</p>	<p>Significant defects: Any situations listed below appears, it can be regarded as significant defects. ① Operation: Unable to achieve all operation target or key business index, widely out of budget in various aspects. ② Safety accident effects: Cause no less than one person death, or more than 3 person serious injuries. ③ Major negative effects: Negative information frequently appears in the medias with involving a wide scope in the international and national mainstream media. ④ Environment effects: Create irreparable damages to environment, and cause massive public complains.</p> <p>Major defects: Any situations listed below appears, it can be regarded as major defects. ① Operation: Unable to achieve partly operation target, a big margin out of budget in various aspects. ② Safety accident effects: Without reaching the person loss or the number of serious injury of significant defects. ③ Major negative effects: Negative news appears in the media with influencing a wide scope in the provincial mainstream media. ④ Environment effects: Cause heavy environment damages and massive public complains, ought to carry out the significant remedial measures.</p> <p>General defects: Any situations listed below appears, it can be regarded as general defects. ① Operation: Other effects unable to constitute the significant defects or major defects. ② Safety accident effects: Personal injury less than the quantitative standards of major defects. ③ Major negative effects: Other defects unable to constitute the significant defects or major defects. ④ Environment effects: Other environment effects unable to constitute the significant</p>

	media with influencing a wide scope; ⑤ One or more defects exist in the control during the process of the ending financial report, and the target of achieving truthfulness and integrity cannot be reasonably guaranteed in the financial report; ⑥ General defects refer to the other control defects, which do not constitute the significant and major defects.	defects or major defects.
Quantitative criterion	<p>For total assets/Owner's equity:</p> <p>① Significant defects: misstatements $\geq 1\%$</p> <p>② Major defects: $0.5\% \leq \text{misstatements} < 1\%$</p> <p>③ General defects: misstatements $< 0.5\%$</p> <p>For operation revenue:</p> <p>① significant defects: misstatements $\geq 1\%$</p> <p>② Major defects: $0.5\% \leq \text{misstatements} < 1\%$</p> <p>③ General defects: misstatements $< 0.5\%$</p> <p>For pretax profit:</p> <p>① Significant defects: misstatements $\geq 5\%$</p> <p>② Major defects: $2\% \leq \text{misstatements} < 5\%$</p> <p>③ General defects: misstatements $< 2\%$</p>	<p>For direct property loss:</p> <p>① Significant defects: More than CNY10 million</p> <p>② Major defects: CNY1 million-CNY10 million (including 1 million)</p> <p>③ General defects: Less than CNY1 million</p>
Number of significant defect in financial report	0	
Number of significant defect in non-financial report	0	
Number of major defect in financial report	0	
Number of major defect in non-financial report	0	

10. Internal control audit report

☒ Available ☐ Not available

Audit opinions of the internal control audit report	
We believe that Yantai Changyu Pioneer Wine Co., Ltd. kept effective internal control to financial report in all significant aspects in accordance with <i>General Criteria of Company's Internal Control</i> and other related rules on December 31 st , 2018.	
Disclosure of the internal control audit report	Disclosure

Disclosure date for the full text of the internal control audit report	April 20 th , 2019
Disclosure index for the full text of the internal control audit report	<i>2018 Annual Self Assessment Report on Internal Control</i> disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company.
Opinion type of the internal control audit report	Standard without reserved opinion
Whether or not exists significant defects in non-financial reports	No

Whether or not the accounting firm issued non-standard opinions for the audit report of internal control

☐ Yes ☒ No

Whether the audit report of internal control issued by the accounting firm is in consistency with the self-assessment report of the board of directors

☒ Yes ☐ No

X. 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 annual report's authorized issue date or failed to pay in full on the due date.

No.

XI. Financial Report

1. Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	April 18 th , 2019
Audit agency name	Deloitte Hua Yong certified public accountants co., Ltd. (special general partnership)
Audit report No.	De Shi Bao (Shen) Zi (19) No. P02452
Certified public accountant's name	Jie Yanfeng, Li Yangang

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (19) No. P02452

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TO THE SHAREHOLDERS OF YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

1. Opinion

We have audited the financial statements of Yantai Changyu Pioneer Wine Company Limited ("Yantai Changyu Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2018, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited is prepared and present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2018, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Yantai Changyu Company in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

AUDITORS' REPORT - continued

De Shi Bao (Shen) Zi (19) No. P02452

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3. Key Audit Matters - continued**Impairment assessment of certain long-term assets****1. Item description**

As stated in Note IV "Impairment of long-term assets", the Production of Yantai Changyu Pioneer Wine Company Limited Research and Development Co., Ltd. ("R&D Centre"), subsidiary of the Company as well as a new main production base of the Company, accounts for more than 60% of the Group's production in 2018. As at 31 December 2018, the book values of long-term assets including fixed assets, construction in progress and intangible of "R&D Centre" amounted to RMB 3.5 billion, accounting for 26.6% of the total assets in the consolidated financial statements, which exerts significant influence on the consolidated financial statements. As there is little space for the development of the domestic wine market, the management of the Company faces great operating pressures with certain risks of impairment of related long-term assets. The management performs the impairment test by determining if the recoverable amount is less than the book value of long-term assets and determines the recoverable amount based on the present value of expected future cash flows. In the estimate of the present value of future cash flows, the management is required to make significant judgements in the assumptions including the sales growth rate, future selling price, production cost, operating expenses and discount rate. For the above reasons, we identified the valuation of the impairment of long-term assets as a key audit matter.

2. How our audit addressed the key audit matter

Our procedures in relation to the key audit matter mainly included:

- (1) Test and evaluate the effectiveness of the design and implementation of the internal control related to the valuation of the impairment of long-term assets;
- (2) Review and evaluate the reasonableness of key assumptions and judgements used in the estimate of the present value of expected future cash flows in the impairment test based on the historical records of the Company and our understanding of the business and industry in which the Company operates.
- (3) Using our internal valuation specialists, reviewing the appropriateness of the future cash flows discount model prepared by the management and the rationality of the discount rate used;
- (4) Performing the recalculation procedure, checking the accuracy of calculations in the discount future cash flows model.

AUDITORS' REPORT - continued

De Shi Bao (Shen) Zi (19) No. P02452

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4. Other Information

The management of Yantai Changyu Pioneer Wine Company Limited is responsible for other information. The other information comprises the information included in the Yantai Changyu 2018 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of Yantai Changyu Pioneer Wine Company Limited is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Yantai Changyu Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Yantai Changyu Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Yantai Changyu Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITORS' REPORT - continued

De Shi Bao (Shen) Zi (19) No. P02452

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6. Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yantai Changyu Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Yantai Changyu Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Yantai Changyu Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS' REPORT - continued

De Shi Bao (Shen) Zi (19) No. P02452

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6. Auditor's Responsibilities for the Audit of the Financial Statements - continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant: Xie Yanfeng
(Engagement partner)

Chinese Certified Public Accountant: Li Yangang

18 April 2019

CONSOLIDATED BALANCE SHEETS
YEAR ENDED 31 DECEMBER 2018

<u>ASSETS</u>	<u>Notes</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
CURRENT ASSETS			
Cash and bank	VI-1	1,475,700,477	1,402,522,509
Notes and accounts receivable	VI-2	530,821,071	508,593,173
Including: Notes receivable	VI-2.2	288,667,988	244,796,818
Accounts receivable	VI-2.3	242,153,083	263,796,355
Prepayments	VI-3	4,219,949	2,417,931
Other receivables	VI-4	22,636,086	18,978,422
Including: Interest receivable	VI-4.2	1,332,681	240,968
Inventories	VI-5	2,724,591,457	2,473,614,046
Non-current assets held for sale		-	2,000,197
Other current assets	VI-6	258,676,396	230,822,759
Total current assets		5,016,645,436	4,638,949,037
NON-CURRENT ASSETS			
Available-for-sale financial assets	VI-7	467,251	467,251
Investment properties	VI-8	31,572,489	18,467,989
Fixed assets	VI-9	5,749,731,667	5,329,083,969
Construction in progress	VI-10	759,296,591	1,026,141,569
Bearer biological assets	VI-11	209,266,373	201,929,888
Intangible assets	VI-12	655,473,459	655,448,897
Goodwill	VI-13	165,199,111	128,135,981
Long-term prepaid expenses	VI-14	244,640,416	230,009,231
Deferred tax assets	VI-15	285,436,259	308,121,396
Total non-current assets		8,101,083,616	7,897,806,171
Total assets		13,117,729,052	12,536,755,208

CONSOLIDATED BALANCE SHEETS
YEAR ENDED 31 DECEMBER 2018 - continued

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
CURRENT LIABILITIES			
Short-term borrowings	VI-16	688,002,410	714,434,286
Notes and accounts payable	VI-17	713,572,881	666,442,879
Receipts in advance	VI-18	226,075,244	350,894,156
Employee benefits payable	VI-19	212,304,217	210,824,234
Taxes payable	VI-20	128,912,790	145,094,156
Other payables	VI-21	608,479,890	603,735,569
Including: Interest payable		712,826	771,250
Other payables	VI-21.2	607,767,064	602,964,319
Deferred income	VI-22	15,860,254	16,878,199
Non-current liabilities due within one year	VI-23	152,940,788	110,954,827
Total current liabilities		<u>2,746,148,474</u>	<u>2,819,258,306</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	VI-24	156,480,662	156,125,854
Long-term payables	VI-25	225,000,000	259,000,000
Deferred income	VI-22	70,367,039	92,918,855
Deferred tax liabilities	VI-15	22,010,647	24,264,203
Other non-current liabilities	VI-26	7,234,853	7,209,312
Total non-current liabilities		<u>481,093,201</u>	<u>539,518,224</u>
Total liabilities		<u>3,227,241,675</u>	<u>3,358,776,530</u>

CONSOLIDATED BALANCE SHEETS
YEAR ENDED 31 DECEMBER 2018 - continued

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
EQUITY			
Share capital	VI-27	685,464,000	685,464,000
Capital reserve	VI-28	565,955,441	565,955,441
Other comprehensive income	VI-29	2,965,377	3,109,240
Surplus reserve	VI-30	342,732,000	342,732,000
Retained earnings	VI-31	8,008,982,547	7,309,081,618
Equity attributable to shareholders of the Company		9,606,099,365	8,906,342,299
Non-controlling interests		284,388,012	271,636,379
Total equity		9,890,487,377	9,177,978,678
Total liabilities and equity		13,117,729,052	12,536,755,208

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

The financial statements on pages 6 to 107 were signed by the following:

Legal Representative

Person in Charge of the
Accounting Body

Chief Accountant

BALANCE SHEET OF THE COMPANY
YEAR ENDED 31 DECEMBER 2018

<u>ASSETS</u>	<u>Notes</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
CURRENT ASSETS			
Cash and bank	XIV-1	624,588,809	559,174,466
Notes and accounts receivable	XIV-2	41,333,227	49,450,536
Including: Notes receivable	XIV-2.2	39,885,254	41,645,203
Accounts receivable	XIV-2.3	1,447,973	7,805,333
Prepayments		227	99,673
Other receivables	XIV-3	1,025,643,356	999,846,643
Including: Interest receivable		254,088	76,646
Dividend receivables	XIV-3.2	500,000,000	407,495,922
Inventories	XIV- 4	385,154,740	348,042,053
Non-current assets held for sale		-	2,000,197
Other current assets		24,704,844	29,706,058
Total current assets		2,101,425,203	1,988,319,626
NON-CURRENT ASSETS			
Long-term equity investments	XIV- 5	7,420,803,069	4,511,202,204
Investment properties	VI-8	31,572,489	18,467,989
Fixed assets	XIV- 6	265,311,274	288,150,901
Construction in progress	XIV- 7	6,311,701	6,756,349
Construction in progress	XIV- 8	125,002,793	119,572,539
Intangible assets	XIV- 9	67,244,066	69,623,219
Deferred tax assets	XIV- 10	24,194,967	28,787,907
Other non-current assets	XIV- 11	972,700,000	3,718,674,166
Total non-current assets		8,913,140,359	8,761,235,274
Total assets		11,014,565,562	10,749,554,900

BALANCE SHEET OF THE COMPANY
YEAR ENDED 31 DECEMBER 2018 - continued

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
CURRENT LIABILITIES			
Short-term borrowings	XIV- 12	150,000,000	600,000,000
Notes and accounts payable	XIV- 13	132,704,304	97,833,124
Advances from customers		-	6,000,000
Employee benefits payable	XIV- 14	72,345,179	70,108,076
Taxes payable	XIV- 15	13,111,431	14,569,690
Other payables	XIV- 16	607,974,519	545,365,672
Including: Interest payable		181,250	652,500
Other payables	XIV- 16.2	607,793,269	544,713,172
Deferred income		3,433,054	3,953,054
Total current liabilities		979,568,487	1,337,829,616
NON-CURRENT LIABILITIES			
Deferred income		8,910,918	12,628,573
Other non-current liabilities	XIV- 14	2,710,575	2,577,702
Total non-current liabilities		11,621,493	15,206,275
Total liability		991,189,980	1,353,035,891
EQUITY			
Share capital	VI-27	685,464,000	685,464,000
Capital reserve	XIV- 17	557,222,454	557,222,454
Surplus reserve	VI-30	342,732,000	342,732,000
Retained earnings		8,437,957,128	7,811,100,555
Total equity		10,023,375,582	9,396,519,009
Total liabilities and equity		11,014,565,562	10,749,554,900

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
I. Revenue	VI-32	5,142,244,740	4,932,545,229
Less: Cost of sales	VI-32	1,901,611,507	1,671,592,279
Taxes and surcharges	VI-33	276,491,674	310,252,023
Selling expenses	VI-34	1,274,599,146	1,272,522,443
Administrative expenses	VI-35	343,580,651	336,461,133
Research and development expenses		4,784,118	4,320,825
Financial expenses	VI-36	35,945,302	18,590,259
Including: Interest income		12,086,007	9,168,772
Interest expenses		46,354,902	26,095,487
(Reversal of) Impairment loss of assets	VI-37	(912,166)	8,293,553
Add: Income (loss) from disposal of assets		11,368,355	(222,586)
Other income	VI-38	87,281,434	46,038,384
II. Operating profit		1,404,794,297	1,356,328,512
Add: Non-operating income	VI-39	7,353,309	17,230,727
Less: Non-operating expenses	VI-40	3,535,908	1,631,476
III. Profit before tax		1,408,611,698	1,371,927,763
Less: Income tax	VI-41	367,127,522	338,134,245
IV. Profit for the year		1,041,484,176	1,033,793,518
(I) Categorized by the nature of continuing operation			
1. Net profit from continuing operations		1,041,484,176	1,033,793,518
(II) Categorized by ownership:			
1. Profit or loss attributable to non-controlling interests		(1,148,753)	2,098,462
2. Net profit attributable to owners of the Company		1,042,632,929	1,031,695,056
V. Other comprehensive income (post-tax)		(376,524)	9,863,872
Other comprehensive income attributable to shareholders of the Company			
Other comprehensive income to be reclassified to profit and loss			
Foreign currency statement translation difference		(143,863)	8,368,254
Other comprehensive income attributable to non-controlling interest		(232,661)	1,495,618
VI. Total comprehensive income		1,041,107,652	1,043,657,390
Attribute to shareholders of the Company		1,042,489,066	1,040,063,310
Attribute to non-controlling interest of the Company		(1,381,414)	3,594,080
VII. Earnings per share			
(I) Basic earnings per share	VI-42	1.52	1.51
(II) Diluted earnings per share	VI-42	N/A	N/A

INCOME STATEMENT OF THE COMPANY
YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> RMB	<u>2017</u> RMB
I. Revenue	XIV-18	876,447,070	1,311,256,854
Less: Cost of sales	XIV-18	774,487,031	1,165,953,408
Taxes and surcharges	XIV-19	38,346,761	76,570,225
Administrative expenses	XIV-20	90,505,208	79,119,135
Research and development expenses		887,355	1,573,909
Financial expenses	XIV-21	(20,292,737)	637,568
Including: Interest income		41,821,372	18,602,199
Interest expenses		16,075,353	17,414,181
Add: Investment income	XIV-22	964,128,659	798,877,905
Income (loss) from disposal of assets		12,411,962	(29,625)
Other income		4,237,655	5,219,126
II. Operating Profit		973,291,728	791,470,015
Add: Non-operating income		1,483,478	686,646
Less: Non-operating expenses		593,694	335,237
III. Profit before tax		974,181,512	791,821,424
Less: Income tax		4,592,939	(1,776,586)
IV. Profit for the year		969,588,573	793,598,010
Net profit from continuing operations		969,588,573	793,598,010
V. Total comprehensive income		969,588,573	793,598,010

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		4,950,603,207	4,827,152,526
Receipts of tax refunds		57,056,690	53,196,910
Other cash receipts relating to operating activities	VI-43(1)	72,703,872	85,236,905
Sub-total of cash inflows from operating activities		5,080,363,769	4,965,586,341
Cash payments for goods purchased and services received		1,383,945,233	1,143,840,915
Cash payments to and on behalf of employees		544,742,974	512,777,815
Payment of various types of taxes		1,111,980,499	1,260,813,596
Other cash payments relating to operating activities	VI-43(2)	1,063,716,317	1,074,910,988
Sub-total of cash outflows from operating activities		4,104,385,023	3,992,343,314
Net cash flows from operating activities	VI-44(1)	975,978,746	973,243,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investments		400,000,000	205,000,000
Proceeds from return on investments		3,445,895	4,084,350
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		19,967,431	7,594,005
Sub-total of cash inflows from investing activities		423,413,326	216,678,355
Cash paid for acquisition of properties, plants and equipment, intangible assets and other long-term assets		347,384,820	435,960,357
Cash payments to acquire investments		478,042,400	297,129,216
Cash paid for the purchase subsidiaries and other equity	VI-43(3)	105,834,655	303,796,543
Sub-total of cash outflows from investing activities		931,261,875	1,036,886,116
Net cash flows from investing activities		(507,848,549)	(820,207,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from capital contributions		2,050,000	48,396,726
Including: cash receipts from capital contributions from minority owners of subsidiaries		2,050,000	48,396,726
Cash receipts from borrowings		1,049,815,411	963,564,600
Other cash received from financing activities	VI-43(4)	62,468,259	52,930,804
Sub-total of cash inflows from financing activities		1,114,333,670	1,064,892,130
Cash paid for borrowings		1,103,189,409	876,502,273
Cash paid for dividends, profits and interests		397,351,813	369,791,284
Cash paid from other financing activities	VI-43(5)	46,100,000	61,700,000
Sub-total of cash outflows from financing activities		1,546,641,222	1,307,993,557
Net cash flows from financing activities		(432,307,552)	(243,101,427)
Effect of foreign exchange rate changes on cash and cash equivalents		(9,851,585)	14,013,131
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS		25,971,060	(76,053,030)
Add: cash and cash equivalents at beginning of the year	VI-44(3)	1,180,889,274	1,256,942,304
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	VI-44(3)	1,206,860,334	1,180,889,274

CASH FLOW STATEMENT OF THE COMPANY

YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> RMB	<u>2017</u> RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		817,341,175	984,103,489
Other cash receipts relating to operating activities		177,786,322	431,983,092
Sub-total of cash inflows from operating activities		995,127,497	1,416,086,581
Cash payments for goods purchased and services received		608,241,452	398,827,772
Cash payments to and on behalf of employees		107,256,441	89,894,049
Payment of various types of taxes		62,066,449	207,917,864
Other cash payments relating to operating activities		74,357,324	121,377,127
Sub-total of cash outflows from operating activities		851,921,666	818,016,812
Net cash flows from operating activities	XIV-23(1)	143,205,831	598,069,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investments		370,000,000	103,000,000
Proceeds from return on investments		874,520,633	827,218,467
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		11,212,195	26,760,929
Sub-total of cash inflows from investing activities		1,255,732,828	956,979,396
Cash paid for acquisition of properties, plants and equipment, intangible assets and other long-term assets		28,842,911	22,527,073
Cash payments to acquire investments		410,000,000	105,000,000
Cash paid for the purchase subsidiaries and other equity		107,194,420	881,056,220
Sub-total of cash outflows from investing activities		546,037,331	1,008,583,293
Net cash flows from investing activities		709,695,497	(51,603,897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from borrowings		200,000,000	600,000,000
Sub-total of cash inflows from financing activities		200,000,000	600,000,000
Cash paid for borrowings		650,000,000	530,339,600
Cash paid for dividends, profits and interests		364,085,312	360,560,604
Sub-total of cash outflows from financing activities		1,014,085,312	890,900,204
Net cash flows from financing activities		(814,085,312)	(290,900,204)
NET INCREASE OF CASH AND CASH EQUIVALENTS			
Add: cash and cash equivalents at beginning of the year	XIV-24	38,816,016	255,565,668
		493,568,866	238,003,198
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	XIV-24	532,384,882	493,568,866

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2018

	2018						
	Attributable to shareholders of the Company					Non-controlling interests RMB	Total RMB
	Issued capital RMB	Capital surplus RMB	Other comprehensive income RMB	Surplus reserve RMB	Retained earnings RMB		
I. 1/1/2018	685,464,000	565,955,441	3,109,240	342,732,000	7,309,081,618	271,636,379	9,177,978,678
II. Changes for the year							
(I) Total comprehensive income	-	-	(143,863)	-	1,042,632,929	(1,381,414)	1,041,107,652
(II) Owners' contributions and reduction in capital							
Acquisition of subsidiaries (VIII-2)	-	-	-	-	-	17,532,823	17,532,823
(III) Profit distribution							
Distributions to shareholders (VI-31, VIII-2)	-	-	-	-	(342,732,000)	(3,399,776)	(346,131,776)
III. 31/12/2018	685,464,000	565,955,441	2,965,377	342,732,000	8,008,982,547	284,388,012	9,890,487,377
	2017						
	Attributable to shareholders of the Company					Non-controlling interests RMB	Total RMB
	Issued capital RMB	Capital surplus RMB	Other comprehensive income RMB	Surplus reserve RMB	Retained earnings RMB		
I. 1/1/2017	685,464,000	565,955,441	(5,259,014)	342,732,000	6,620,118,562	190,473,697	8,399,484,686
II. Changes for the year							
(I) Total comprehensive income	-	-	8,368,254	-	1,031,695,056	3,594,080	1,043,657,390
(II) Owners' contributions and reduction in capital							
Non-controlling interests' capital contribution	-	-	-	-	-	78,236,726	78,236,726
(III) Profit distribution							
Distributions to shareholders (VI-31)	-	-	-	-	(342,732,000)	(668,124)	(343,400,124)
III. 31/12/2017	685,464,000	565,955,441	3,109,240	342,732,000	7,309,081,618	271,636,379	9,177,978,678

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
YEAR ENDED 31 DECEMBER 2018

	2018				
	Issued capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total RMB
I. 1/1/2018	685,464,000	557,222,454	342,732,000	7,811,100,555	9,396,519,009
II. Changes for the year					
(I) Total comprehensive income	-	-	-	969,588,573	969,588,573
(II) Profit distribution					
Distributions to shareholders (VI-31)	-	-	-	(342,732,000)	(342,732,000)
III. 31/12/2018	685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
	2017				
	Issued capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total RMB
I. 1/1/2017	685,464,000	557,222,454	342,732,000	7,360,234,545	8,945,652,999
II. Changes for the year					
(I) Total comprehensive income	-	-	-	793,598,010	793,598,010
(II) Profit distribution					
Distributions to shareholders (VI-31)	-	-	-	(342,732,000)	(342,732,000)
III. 31/12/2017	685,464,000	557,222,454	342,732,000	7,811,100,555	9,396,519,009

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

I. CORPORATE INFORMATION

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

As at 31 December 2018 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Note VI-27 in detail.

The holding company of the Group is Changyu Group Company, which is jointly controlled by Yantai GuoFeng Investment Holding Ltd, ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

The financial statements have been authorized by the board of directors on 18 April 2019. According to the Company's articles of association, the financial statements will be reviewed by shareholders on the shareholder's meeting.

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

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

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

2. Basis of accounting and principle of measurement

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

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued**2. Basis of accounting and principle of measurement - continued**

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

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

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

3. Going concern

As at 31 December 2018, the Group evaluated the profitability ability in the foreseeable 12 months and did not notice any event or circumstance that would constitute significant doubt on going concern ability of the Group. Therefore, the financial statements have been prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING**1. Declaration for implementing CAS**

The financial statements are prepared in accordance with CAS, which showing a true and fair view of the financial position on 31 December 2018, financial performance and cash flow in 2018 of the Company and the Group.

2. Accounting year

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

3. Business cycle

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

4. Reporting currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. Overseas subsidiaries of the Company adopt Currency Euro, Chilean Peso and Australian Dollar as their functional currencies on the basis of the primary economic environment in which they operate. The Company adopts RMB to prepare its financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

5. Business combination

5.1 Business combinations not involving enterprises under common control and goodwill

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

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

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

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 recognized 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 reassesses 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 recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

6.1 Preparation of consolidated financial statements

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

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

For the subsidiaries through business combination not involving enterprises under common control, the results of operations and cash flows from the acquisition day were properly included in the consolidated income statements and consolidated cash flow statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

6. Preparation of consolidated financial statements - continued**6.1 Preparation of consolidated financial statements - continued**

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

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

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

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

7. Cash and cash equivalents

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

8. Translation of transactions and financial statements denominated in foreign currencies**8.1 Transactions denominated in foreign currencies**

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

8. Translation of transactions and financial statements denominated in foreign currencies - continued**8.2 Translation of financial statements denominated in foreign currencies - continued**

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

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

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

9. Financial instruments

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

9.1 Effective interest method

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

9. Financial instruments - continued

9.2 Classification, recognition and measurement of financial assets

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

9.2.1 Loans and receivables

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

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

9.2.2 Available-for-sale financial assets

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

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

9.3 Impairment of financial assets

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

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

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

9. Financial instruments - continued

9.3 Impairment of financial assets - continued

- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; namely, at the balance sheet date, if the initial cost of an equity instrument investment is more than 50%(inclusive) in excess of the fair value of such investment, or the period in which the initial cost of an equity instrument investment exceeds the fair value of such investment is over 12 months(inclusive);
- (9) Other objective evidence indicating there is an impairment of a financial asset.

- Impairment of financial assets measured at amortised cost

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

For a financial asset that is individually, the Group assesses the asset individually for impairment.

- Impairment of available for sale assets measured at cost

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

9. Financial instruments - continued**9.4 Transfer of financial assets**

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

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

9.5 Classification, recognition and measurement of financial liabilities

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

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

9.5.1 Other financial liabilities

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

9.6 Derecognition of financial liabilities

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

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.

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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

9. Financial instruments - continued

9.8 Equity instruments

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

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

10. 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.

11. Inventories

11.1 Categories of inventories

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

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

11.2 Valuation method of inventories upon delivery

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

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 based on categories of inventories.

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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

11. Inventories - continued

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

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

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

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.

13. Long term equity investments

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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

13. Long term equity investments - continued

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.

13.3 Subsequent measurement and recognition of profit or loss

13.3.1 Long-term equity investment accounted for using the cost method

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

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

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.

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 recognized 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 amortization 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 recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

15. Fixed assets15.1 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.

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:

	<u>Estimated useful life</u>	<u>Estimated residual rate</u>	<u>Annual depreciation rate</u>
Buildings	20-40years	0-5%	2.4%-5.0%
Machinery	5-30years	0-5%	3.2%-20.0%
Motor Vehicles	4-12years	0-5%	7.9%-25.0%

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

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 are 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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

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.

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. 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.

18. Biological assets

The Group's biological assets are bearer biological assets.

18.1 Bearer biological assets

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

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

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual rate</u>	<u>Annual depreciation rate</u>
Vines	20 years	-	5.0%

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

18. Biological assets - continued

18.1 Bearer biological assets - continued

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.

19. Intangible assets

Intangible assets include land use rights, software and trademark, 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:

<u>Item</u>	<u>Useful life</u>	<u>Net residual value</u>	<u>Annual amortization rate</u>
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 intangible assets with infinite useful lives including the land use right and trademark. Land use rights with infinite useful lives are permanent land use rights with permanent ownership held by the Group under the relevant Chile and Australian laws arising from the Group's acquisition of Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SPA. (collectively referred to as the "Chile Indomita Wine Group"), and the acquisition of Kilikanoon Estate Pty Ltd.(hereinafter referred to as the "Australia Kilikanoon Estate"), therefore there was no amortization. The right to use trademark refers to the trademark held by the Group arising from the acquisition of the Chile Indomita Wine Group and the Australia Kilikanoon Estate with infinite 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 an uncertain period. The useful life is indefinite as it was hard to predict the period that the trademark would bring economic benefits to the Group.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

20. Impairment of long-term assets

The Group and the Company review the impairment status of long-term equity investments, fixed assets, investment properties, construction in progress, bearer biological asset and intangible assets with finite useful life at the end of each year. If there is any indication for impairment, the Group estimates the recoverable amount of the asset. Intangible assets with indefinite useful life and goodwill 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.

21. Long term prepaid expenses

Long-term prepaid expenses are amortized equally over the period of projected earnings. The amortization period are as follows:

	<u>Amortization period</u>
Land requisition fee	50 years
Land lease prepayment	50 years
Greening fee	5-20 years
Leasehold improvement	3-5 years
Others	3 years

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

22. Employee benefits**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.

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.

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.

23. Revenue**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.

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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

23. Revenue - continued

23.2 Revenue from rendering of services - continued

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.

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.

24.1 Government grant related to an asset

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

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.

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.

25. Deferred tax assets/deferred tax liabilities

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

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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

25. Deferred tax assets/deferred tax liabilities - continued**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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

25. Deferred tax assets/deferred tax liabilities - continued

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.

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.

26.1. Operating lease accounting methods26.1.1 The Group as lessee under operating leases

Operating lease payments are recognized 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.

26.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized 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 capitalized when incurred, and are recognized 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.

27. Changes in accounting policies

The Group has adopted the *Notice of the Revised Format of Financial Statements for General Business Enterprise in 2018* (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the MoF on 15 June 2018 since the preparation of the financial statements for 2018.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

- continued

27. Changes in accounting policies - continued

Cai Kuai No.15 Document revised the presentation items on the balance sheet and the income statement, which are as follows: add the line items of "notes and accounts receivable", "notes and accounts payable", "research and development expenses"; revise the presentation of "other payables", "fixed assets", "construction in progress", "other payables", "long-term payables" and "administrative expenses"; less the line items of "notes receivable", "accounts receivable", "dividends receivable" and "interest receivable", "disposal of fixed assets", "materials for construction of fixed assets", "notes payable", "accounts payable", "dividends payable", and "special payables", add the line items of "including: interest expenses" and "interest income" under the item of "financial expenses"; and adjust the presentation location of certain items in the income statements.

For changes of the presentation items stated above, the Group has applied retrospectively for accounting treatments and adjusted the comparable data of the prior year for comparable periods.

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

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

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

Key assumptions and uncertainties in accounting estimates

The following are the key assumptions and uncertainties in accounting estimates at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future period.

Deferred tax assets recognized for deductible losses

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

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

Significant accounting judgments and accounting estimates - continued

Depreciation of fixed assets

As set out in Note III-15, 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.

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 the fair value of a long-term asset less costs of disposal and the present value of the future cash flows expected to be derived from the asset. As it is difficult for the Group to obtain the quoted market price of the long-term assets concerned, the fair value of the assets cannot be reliably estimated. In assessing the present value of future cash flows, the management of the Group is required to make significant judgements on the assumptions including sales growth rate, future selling price, production cost, operating expenses and discount rate, which are of high uncertainty.

Yantai Changyu Pioneer Wine Company Limited Research and Development Co., Ltd. ("R&D Centre"), subsidiary of the Company started production at the end of 2017 being as a new main production base of the Company. In 2018, the production of R&D Centre accounts for more than 60% of the Group's production. R&D Centre's total investment budget in its long-term assets approximates RMB 4.5 billion, which is a large-scale investment. As at 31 December 2018, the book values of relevant long-term assets including fixed assets, construction in progress and intangible amounted to RMB 3.5 billion, accounting for 26.6% of the total assets in the consolidated financial statements, which exerts significant influence on the consolidated financial statements. As there is little space for the development of the domestic wine market, the management of the Company faces great operating pressures to apply the off-take potential of the new production base in an efficient way. In addition, there are certain risks of impairment for such long-term assets. The management performs the impairment test by determining if the recoverable amount is less than the book value of long-term assets and determines the recoverable amount based on the present value of expected future cash flows. In the assessment of the future cash flows, the management is required to, based on a reasonable and supportable basis, assess the cash flows for the future 5 years ("projecting period") and cash flows after the projecting period ("subsequent period") and make significant judgements and accounting estimates in the discount rate, sales growth rate, future selling price, production cost, operating expenses and other key assumptions.

According to the result of the impairment test, the management believes that as at 31 December 2018, the above long-term assets of the Group were not impaired. Therefore, no impairment provision is made.

IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued**Significant accounting judgments and accounting estimates - continued**Inventory provision based on net realizable value

The 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.

V. TAXES

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

(1) China

Value added tax	VAT is levied at 6%, 10%, 11%, 16% and 17% on the invoiced amount after deduction of eligible input VAT.
Consumption tax	The consumption tax of the group is levied on gross revenue at rates ranging from 10% to 20%.
City development tax	Levied at 7% of total business tax payment.
Corporate income tax	The Group is subject to a corporate income tax rate of 25% on its taxable income.

(2) France

Value added tax	VAT is levied at 20% on the invoiced amount after deduction of eligible input VAT.
Corporate income tax	The Group is subject to a corporate income tax rate of 33.3% on its taxable income.

(3) Spain

Value added tax	VAT is levied at 21% on the invoiced amount after deduction of eligible input VAT.
Corporate income tax	The Group is subject to a corporate income tax rate of 28% on its taxable income.

(4) Chile

Value added tax	VAT is levied at 19% on the invoiced amount after deduction of eligible input VAT.
Corporate income tax	The Group is subject to a corporate income tax rate of 27% on its taxable income.

(5) Australia

Value added tax	VAT is levied at 10% on the invoiced amount after deduction of eligible input VAT.
Corporate income tax	The Group is subject to a corporate income tax rate of 30% on its taxable income.

Other than tax incentives stated in Note V-2, applicable tax rates of the Group in 2018 and 2017 are all stated as above.

V. TAXES - continued**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 Hui 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 Weizhu 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 Weizhu 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.

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

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Cash	114,335	136,973
Bank balance	1,382,399,749	1,278,397,711
Other currency fund	93,186,393	123,987,825
Total	<u>1,475,700,477</u>	<u>1,402,522,509</u>

At 31 December 2018, the balance of restricted cash of the Group is as follows:

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Home maintenance funds	<u>2,611,350</u>	<u>2,645,410</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

1. Cash and bank - continued

As at 31 December 2018, the Group's other monetary assets is as follows:

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Research and Development Co., Ltd ("R&D Centre")		
pledged deposit for long-term payables	46,100,000	61,700,000
Deposit for letter of credit	44,540,850	57,946,190
Alipay account balance	2,483,816	4,317,635
Deposit for Company cards	51,727	14,000
Deposit for ICBC platform	10,000	10,000
	<u>93,186,393</u>	<u>123,987,825</u>

As at 31 December 2018, the Group's term deposits with original maturity of more than three months when acquired is RMB 173,042,400 with interest rate 1.50%-3.80% (31 December 2017:RMB 95,000,000).

2. Notes and accounts receivable

2.1 Presented by categories

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Notes receivable	288,667,988	244,796,818
Accounts receivable	242,153,083	263,796,355
Total	<u>530,821,071</u>	<u>508,593,173</u>

2.2 Notes receivable

(1) Categories of notes receivable

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Bank acceptances	<u>288,667,988</u>	<u>244,796,818</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

2. Notes and accounts receivable - continued

2.2 Notes receivable- continued

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

As at 31 December 2018, there was no pledged notes receivable (31 December 2017: Nil).

(3) Notes receivable endorsed but are not yet due at the balance sheet date

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Bank acceptances	<u>182,829,674</u>	<u>188,855,843</u>

As at 31 December 2018, notes endorsed by the Group to other parties which are not yet due at the end of the period is RMB 182,829,674 (31 December 2017: RMB 188,855,843). The notes are used for payment to suppliers and constructions. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

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

As at 31 December 2018, no notes receivable were reclassified as accounts receivable due to the default of drawer (31 December 2017: Nil).

2.3 Accounts receivable

(1) Disclosure of accounts receivable by categories:

	<u>31/12/2018</u>					<u>31/12/2017</u>				
	<u>Amount</u>		<u>Bad debts provision</u>		<u>Carrying amount</u>	<u>Amount</u>		<u>Bad debts provision</u>		<u>Carrying amount</u>
	<u>Amount</u>	<u>Proportion</u>	<u>Amount</u>	<u>Ratio</u>		<u>Amount</u>	<u>Proportion</u>	<u>Amount</u>	<u>Ratio</u>	
	RMB	%	RMB	%	RMB	RMB	%	RMB	%	RMB
Accounts receivable for which bad debt provision has been assessed individually	<u>242,153,083</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>242,153,083</u>	<u>263,796,355</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>263,796,355</u>

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

As at 31 December 2018, ownership restricted accounts receivable is RMB 52,015,032 (31 December 2017: RMB 46,337,062), referring to Note VI-45.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**2. Notes and accounts receivable - continued****2.3 Accounts receivable - continued****(1) Disclosure of accounts receivable by categories - continued**

The aging analysis is as follows:

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Within 1 year	240,312,773	263,112,714
1 to 2 years	1,566,622	683,641
2 to 3 years	273,688	-
	<u>242,153,083</u>	<u>263,796,355</u>

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

As at 31 December 2018, there was no bad debt provision for accounts receivable (31 December 2017: Nil). There was no bad debt provision made, reversed or written-off by management in 2018 (2017: Nil).

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

<u>Name</u>	<u>Relationship with the Group</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Percentage of total receivables</u> %
Sainsbury's supermarkets Ltd	Third party	17,428,889	Within 1 year	7.2
Nongongshang Supermarket (Group) Co., Ltd	Third party	10,928,458	Within 1 year	4.5
SLIGRO B.V.	Third party	6,732,175	Within 1 year	2.8
Viñedos y Bodegas Las Pircas	Third party	6,430,387	Within 1 year	2.7
Suguo Supermarket Co., Ltd.	Third party	6,415,505	Within 1 year	2.6
		<u>47,935,414</u>		<u>19.8</u>

3. Prepayments**(1) The aging analysis is as follows:**

	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Amount</u> RMB	<u>Ratio</u> %
Within 1 year	<u>4,219,949</u>	<u>100.0</u>	<u>2,417,931</u>	<u>100.0</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**3. Prepayments - continued**

(2) As at 31 December 2018, the top five of prepayments were as follows:

	<u>Relationship with the Group</u>	<u>Amount RMB</u>	<u>Aging</u>	<u>Reason for being outstanding</u>	<u>Percentage of total advances to suppliers %</u>
Shanghai Benchu Trade&Development Co., Ltd.	Third party	345,600	Within 1 year	Goods not received	8.2
Carrington Estate T/A Karikari Esta	Third party	340,498	Within 1 year	Goods not received	8.1
DONELLI VINI S.P.A.	Third party	304,204	Within 1 year	Goods not received	7.2
Yantai Economic and Technological Development Zone Thermal Co., Ltd	Third party	250,000	Within 1 year	Prepaid heating fees	5.9
Yantai Cihang International Freight Agent Co., Ltd.	Third party	186,392	Within 1 year	Prepaid agency fees	4.4
		<u>1,426,694</u>			<u>33.8</u>

4. Other receivables**4.1 Presented by categories**

	<u>31/12/2018 RMB</u>	<u>31/12/2017 RMB</u>
Interest receivable	1,332,681	240,968
Other receivables	21,303,405	18,737,454
Total	<u>22,636,086</u>	<u>18,978,422</u>

(1) Categories of interest receivable

	<u>31/12/2018 RMB</u>	<u>31/12/2017 RMB</u>
Interest receivable on bank deposits	<u>1,332,681</u>	<u>240,968</u>

(2) Overdue interest

As at 31 December 2018, there was no overdue interest receivable (31 December 2017: Nil).

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Other receivables- continued

4.2 Other receivables

(1) Disclosure of other receivables by categories

	31/12/2018					31/12/2017				
	Amount		Bad debts provision		Carrying amount	Amount		Bad debts provision		Carrying amount
	Amount	Proportion	Amount	Ratio		Amount	Proportion	Amount	Ratio	
	RMB	%	RMB	%	RMB	RMB	%	RMB	%	RMB
Other receivable for which bad debt provision has been assessed individually	21,303,405	100.0	-	-	21,303,405	18,737,454	100.0	-	-	18,737,454

The aging analysis is as follows:

	31/12/2018				31/12/2017			
	Amount		Bad debts provision RMB	Carrying amount RMB	Amount		Bad debts provision RMB	Carrying amount RMB
	Amount RMB	Proportion %			Amount RMB	Proportion %		
Within 1 year	11,293,908	53.0	-	11,293,908	13,214,301	70.5	-	13,214,301
1 to 2 years	6,693,702	31.5	-	6,693,702	1,937,961	10.3	-	1,937,961
2 to 3 years	1,922,998	9.0	-	1,922,998	2,273,591	12.2	-	2,273,591
Over 3 years	1,392,797	6.5	-	1,392,797	1,311,601	7.0	-	1,311,601
	21,303,405	100.0	-	21,303,405	18,737,454	100.0	-	18,737,454

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

As at 31 December 2018, no bad debt provision was made for other receivables (2017: RMB 354,805).

(3) Other receivables written off in the current year

As at 31 December 2018, the Group has no other receivables written off (31 December 2017: RMB 354,805).

(4) Disclosure of other receivables by categories

	31/12/2018 RMB	31/12/2017 RMB
Deposit	10,453,624	10,075,901
Petty cash receivable	2,274,038	2,215,146
Investment fund	-	2,050,000
Refund of consumption tax, real estate tax	6,273,882	2,451,188
Others	2,301,861	1,945,219
	21,303,405	18,737,454

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Other receivables- continued

4.2 Other receivables- continued

(5) Five entities with the largest balances of other receivables

As at 31 December 2018, the top five of other receivables are as follows:

	<u>Nature</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Percentage of total</u> <u>other receivables</u> %	<u>Bad debt</u> <u>Closing balance</u> RMB
Yantai Development Zone					
Construction Industry Association	Construction deposit	7,709,477	Within 3 years	36.1	-
Zhejiang Tmall Technology Co., Ltd.	Shop deposits	867,426	Within 1 year	4.1	-
Yantai Shenma Packaging Co., Ltd. ("Shenma Packaging")	Lease receivables	813,440	Within 1 year	3.8	-
Yantai Development Zone Power Company	Deposit	140,000	Within 3 years	0.7	-
Yantai Development Zone Heat Company	Deposit	130,000	Within 3 years	0.6	-
		<u>9,660,343</u>		<u>45.3</u>	<u>-</u>

5. Inventories

(1) Disclosure of inventories by categories

	<u>31/12/2018</u>			<u>31/12/2017</u>		
	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Net carrying</u> <u>amount</u> RMB	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Net carrying</u> <u>amount</u> RMB
Raw material	67,267,035	-	67,267,035	66,881,090	-	66,881,090
Work in progress	1,787,819,923	-	1,787,819,923	1,568,230,851	-	1,568,230,851
Finished goods	894,187,725	(24,683,226)	869,504,499	864,097,497	(25,595,392)	838,502,105
	<u>2,749,274,683</u>	<u>(24,683,226)</u>	<u>2,724,591,457</u>	<u>2,499,209,438</u>	<u>(25,595,392)</u>	<u>2,473,614,046</u>

(2) Inventory provision

	<u>Closing balance</u> RMB	<u>Recognized</u> RMB	<u>Reversal</u> RMB	<u>Written off</u> RMB	<u>Opening balance</u> RMB
Provision for decline in value of inventories	<u>25,595,392</u>	<u>749,134</u>	<u>(1,661,300)</u>	<u>-</u>	<u>24,683,226</u>

6. Other current assets

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Prepaid taxes	24,077,323	22,911,298
Pending deduct VAT on purchase	233,087,707	206,529,504
Prepaid rent	1,511,366	1,381,957
	<u>258,676,396</u>	<u>230,822,759</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

7. Available-for-sale financial assets

(1) Available-for-sale financial assets

	31/12/2018			31/12/2017		
	<u>Amount</u> RMB	<u>Impairment</u> RMB	<u>Carrying amount</u> RMB	<u>Amount</u> RMB	<u>Impairment</u> RMB	<u>Carrying amount</u> RMB
Available-for-sale equity instruments measured at cost	467,251	-	467,251	467,251	-	467,251

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

<u>Investee</u>	<u>Carrying amount</u>				<u>Provision for impairment losses</u>				<u>Proportion of voting power in the investee (%)</u>	<u>Cash dividend for the period</u> RMB
	<u>Opening</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing</u> RMB	<u>Opening</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing</u> RMB		
Other	467,251	-	-	467,251	-	-	-	-		

The Group holding equity ratios of investment companies are less than 1%. Investment companies are all unlisted companies, and their fair value cannot be measured reliably, therefore, the Group uses cost method to measure these available-for-sale financial assets.

8. Investment properties

Investment properties measured by cost method

	<u>Buildings</u> RMB
<u>Total original carrying amount</u>	
31/12/2017	38,347,283
Increase	
Transfer from fixed assets	32,606,762
31/12/2018	70,954,045
<u>Total accumulated depreciation</u>	
31/12/2017	19,879,294
Increase	
Transfer from fixed assets	17,644,360
Additions	1,857,902
31/12/2018	39,381,556
<u>Total carrying amount</u>	
31/12/2018	31,572,489
31/12/2017	18,467,989

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

9. Fixed assets

(1) Details of fixed assets

	<u>Buildings</u> RMB	<u>Machinery</u> RMB	<u>Motor Vehicles</u> RMB	<u>Total</u> RMB
<u>Total original carrying amount</u>				
31/12/2017	4,508,868,684	2,247,350,293	28,689,415	6,784,908,392
Increase				
Purchase	4,490,675	235,607,780	923,222	241,021,677
Transfer from CIP	252,035,224	202,251,634	1,708,803	455,995,661
Acquisition increase (VII-1)	33,048,307	15,981,692	-	49,029,999
Decrease				
Disposal	(4,409,703)	(35,392,585)	(4,740,801)	(44,543,089)
Transfer to Investment properties (VI-8)	(32,606,762)	-	-	(32,606,762)
31/12/2018	<u>4,761,426,425</u>	<u>2,665,798,814</u>	<u>26,580,639</u>	<u>7,453,805,878</u>
<u>Total accumulated depreciation</u>				
31/12/2017	512,643,486	922,944,520	20,236,417	1,455,824,423
Increase				
Additions	126,510,348	168,695,471	2,632,539	297,838,358
Decrease				
Disposal	(242,705)	(29,575,754)	(2,125,751)	(31,944,210)
Transfer to Investment properties (VI-8)	(17,644,360)	-	-	(17,644,360)
31/12/2018	<u>621,266,769</u>	<u>1,062,064,237</u>	<u>20,743,205</u>	<u>1,704,074,211</u>
<u>Total carrying amount</u>				
31/12/2018	<u>4,140,159,656</u>	<u>1,603,734,577</u>	<u>5,837,434</u>	<u>5,749,731,667</u>
31/12/2017	<u>3,996,225,198</u>	<u>1,324,405,773</u>	<u>8,452,998</u>	<u>5,329,083,969</u>

As at 31 December 2018, fixed assets with ownership restricted are RMB 412,006,421 (31 December 2017: RMB 145,009,923). Please refer to Note VI-45 in detail.

As at 31 December 2018, the Group has net fixed assets that are temporarily idle of RMB 59,718,155(31 December 2017: Nil). The Group has no fixed assets acquired under finance leases or fixed assets classified as held for sale (31 December 2017: RMB 2,000,197).

(2) Fixed assets through operating lease

	<u>Amount</u> RMB
Machinery	<u>134,111</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

9. Fixed assets - continued

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

As at 31 December 2018, buildings without property certificate are as follows:

	<u>Amount</u> RMB	<u>Reasons why certificates of title have not been obtained</u>
Research and Development Co, Ltd		
Industry Production Centre	1,755,472,791	Processing
Changan Chateau Dormitory building, main building	284,890,228	Processing
Beijing Chateau European town, main, service building	187,565,493	Processing
Ding Luo Te Chateau main building	83,218,432	Processing
Xinjiang Tianzhu fermentations and storage warehouse	17,768,840	Processing
Ice Wine Chateau office building and packing workshop	9,198,373	Processing
Jingyang factory fermentation building	4,171,918	Processing
Fermentation centre office, experiment building and workshop	3,653,494	Processing
Kylin Packaging finished goods warehouse and workshop	2,396,850	Processing
Sales Company office buildings	1,123,984	Processing
	<u>2,349,460,403</u>	

The buildings without property certificate above have no significant influence on the group's management.

10. Construction in progress

(1) Construction in progress:

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
R&D Centre ("Changyu Wine integrational Construction") Project	608,553,617	883,731,540
Changan Chateau Construction Project	39,793,893	53,290,036
Ningxia Chateau Construction Project	47,163,863	35,711,269
Shihezi Chateau Construction Project	23,664,124	25,463,724
Sales Company construction project	17,985,882	11,355,685
Other companies construction Project	22,135,212	16,589,315
	<u>759,296,591</u>	<u>1,026,141,569</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

10. Construction in progress- continued

(2) Changes in significant construction in progress:

	<u>Budget</u> RMB	<u>31/12/2017</u> RMB	<u>Addition</u> RMB	<u>Transfer to</u> <u>PPE</u> RMB	<u>Transfer to</u> <u>Lone-term</u> <u>prepaid</u> <u>expense</u> RMB	<u>31/12/2018</u> RMB	<u>Status</u>	<u>Total accumulate</u> <u>Capitalizing</u> <u>interest</u> RMB	<u>Capitalizing</u> <u>interest</u> <u>for this period</u> RMB	<u>Interest</u> <u>capitalization</u> <u>rate</u> %	<u>Financed by</u>
Changyu Wine integrational Construction"	4,505,780,000	883,731,540	118,142,779	(372,914,273)	(20,406,429)	608,553,617	74.3	14,271,837	5,843,872	1.2%及 4.3%	Loans from financial institutions and Self-raised
Changan Chateau Construction Project	620,740,000	53,290,036	12,149,197	(25,645,340)	-	39,793,893	108.7	-	-	-	Self-raised
Shihezi Chateau Construction Project	780,000,000	25,463,724	37,629,835	(39,429,435)	-	23,664,124	96.3	-	-	-	Self-raised
Ningxia Chateau Construction Project	414,150,000	35,711,269	14,307,265	(2,854,671)	-	47,163,863	102.1	-	-	-	Self-raised
Sales Company construction project	161,350,000	11,355,685	6,893,191	(262,994)	-	17,985,882	97.7	-	-	-	Self-raised

The interest capitalized in construction in progress is RMB 5,843,872 in 2018(2017: RMB 6,138,242).

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

Bearer biological assets are Vines, which measured in cost method

	<u>Immature biological assets</u> RMB	<u>Mature biological assets</u> RMB	<u>Total</u> RMB
<u>Total original carrying amount</u>			
31/12/2017	12,175,000	217,537,353	229,712,353
Increase			
Cultivated increase	19,371,297	-	19,371,297
Transfer to mature assets	(17,708,689)	17,708,689	-
31/12/2018	13,837,608	235,246,042	249,083,650
<u>Total accumulated depreciation</u>			
31/12/2017	-	27,782,465	27,782,465
Increase			
Additions	-	12,034,812	12,034,812
31/12/2018	-	39,817,277	39,817,277
<u>Total net carrying amount</u>			
31/12/2018	13,837,608	195,428,765	209,266,373
31/12/2017	12,175,000	189,754,888	201,929,888

As at 31 December 2018, there is no biological asset with ownership restricted. (31 December 2017:Nil)

As at 31 December 2018, there is no indication that biological assets may be impaired, and no provision is made. (31 December 2017:Nil)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**12. Intangible assets****(1) Intangible assets**

	<u>Land use rights</u> RMB	<u>Software use rights</u> RMB	<u>Trademark</u> RMB	<u>Total</u> RMB
<u>Total original carrying amount</u>				
31/12/2017	521,731,139	73,666,754	159,702,508	755,100,401
Increase				
Purchase	1,596,780	922,809	105,827	2,625,416
Acquisition increase(VII-1)	4,924,992	1,232,494	10,260,400	16,417,886
31/12/2018	528,252,911	75,822,057	170,068,735	774,143,703
<u>Total accumulated depreciation</u>				
31/12/2017	67,547,772	21,516,741	10,586,991	99,651,504
Increase				
Additions	10,523,138	5,206,074	3,289,528	19,018,740
31/12/2018	78,070,910	26,722,815	13,876,519	118,670,244
<u>Total carrying amount</u>				
31/12/2018	450,182,001	49,099,242	156,192,216	655,473,459
31/12/2017	454,183,367	52,150,013	149,115,517	655,448,897

(2) Land use right's location and years are as follows:

<u>Item</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
In the PRC(within 50 years)	419,300,592	428,226,950
Out of the PRC (more than 50 years)	30,881,409	25,956,417
	450,182,001	454,183,367

As at 31 December 2018, the Group has land use right with infinite useful lives of RMB 30,881,409(31 December 2017: RMB 25,956,417), representing the freehold land held by Chile Indomita Wine Group and Australia Kilikanoon Estate under relevant Chile and Australia laws, on which the amortization is not required.

As at 31 December 2018, the Group has trademark with infinite useful lives of RMB 154,150,933 (31 December 2017: 143,890,533), which is held by Chile Indomita Wine Group and Australia Kilikanoon Estate. The recoverable amount of the trademark is determined according to the present value of the expected future cash flows generated from the asset group to which the single assets of trademark right belongs. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The discount rates used in the cash flow projections are 9.0% and 10.1%, respectively. A key assumption in the estimate of future cash flows is the revenue growth rate in the projecting period. Such revenue growth rate is determined based on the industry and the expected growth rate of Chile Indomita Wine Group and Australia Kilikanoon Estate. The revenue growth rates in the subsequent period are 3.0% and 2.5%, respectively.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**12. Intangible assets - continued****(2) Land use right's location and years are as follows:- continued**

The Group recognizes the trademark with infinite useful lives as intangible assets, the impairment assessment of which is made at the end of each reporting year. The management believes that any reasonable change of the above assumptions will not result in the total book value of the asset group to which the single assets of trademark right belongs exceeding its recoverable amount.

According to the result of impairment assessment, by the end of 31 December 2018, the management believes there is no impairment loss on those trademark with infinite useful lives of the Group.

As at 31 December 2018, the intangible asset with restricted ownership is RMB 218,070,414 (December 31, 2017: RMB 164,051,996), Please refer to Note VI-45 in detail.

13. Goodwill

<u>Investee</u>	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Etablissements Rouillet Fransac ("Fransac Sales")	13,112,525	-	-	13,112,525
Dicot Partners, S.L ("Dicot")	92,391,901	-	-	92,391,901
Societe Civile Agricole Du Chateau De Mirefleurs ("Mirefleurs")	15,761,440	-	-	15,761,440
Indomita Wine	6,870,115	-	-	6,870,115
Australia Kilikanoon Estate	-	37,063,130	-	37,063,130
Total	<u>128,135,981</u>	<u>37,063,130</u>	<u>-</u>	<u>165,199,111</u>

The Group acquired Fransac Sales, Dicot and Mirefleurs and Chile Indomita Wine Group in December 2013, September 2015 January 2016 and July 2017 respectively, resulting in respective goodwill amounting to RMB 13,112,525, RMB 92,391,901, RMB 15,761,440 and RMB 6,870,115. The Group acquired Australia Kilikanoon Estate in January 2018, resulting goodwill amounting to RMB 37,063,130, which have been allocated to corresponding asset groups for impairment testing.

The recoverable amount of the group of assets is determined by the present value of its future cash flows. Future cash flow projections are made based on the recently financial budgets for the future 5 years period (projecting period) and presume that cash flows after the projecting period (subsequent period). Discount rate used in calculating the recoverable amounts of Fransac Sales, Dicot Mirefleurs, Indomita Wine and Australia Kilikanoon Estate are 11.1%, 8.9%, 11.1 %, 9.0% and 10.1%(2017: 10.3%, 8.5%, 10.3%, 9.6% and N/A) respectively. One key assumption in projecting future cash flows is the growth rate of sales in projecting period, which is computed based on the expected growth rate of the industry and each group of assets. Growth rate of sales in subsequent period of Fransac Sales, Dicot, Mirefleurs, Indomita Wine and Australia Kilikanoon Estate is 2.0%, 2.0%, 2.0%, 3.0%, 2.5% (2017: 2%, 2%, 2%, 3% and N/A) respectively. Management of the Group believes that any reasonable changes in the above assumptions will not cause book values of these subsidiaries exceeds their recoverable amounts.

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

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

14. Long-term prepaid expenses

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Amortization</u> RMB	<u>31/12/2018</u> RMB
Land lease prepayments	56,365,385	-	(2,147,622)	54,217,763
Land requisition fee	43,976,036	-	(548,297)	43,427,739
Greening fee	125,628,334	24,511,623	(8,915,485)	141,224,472
Leasehold improvement	873,263	3,306	(100,922)	775,647
Others	3,166,213	2,198,373	(369,791)	4,994,795
	<u>230,009,231</u>	<u>26,713,302</u>	<u>(12,082,117)</u>	<u>244,640,416</u>

Note: The greening fee transferred from CIP to long-term prepaid expenses amounted to RMB 20,406,429, refer to Note VI-10 for details.

15. Deferred tax assets/liabilities

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

(1) Deferred tax assets:

	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Temporary differences</u> RMB	<u>Deferred tax assets</u> RMB	<u>Temporary differences</u> RMB	<u>Deferred tax assets</u> RMB
Unrealized profit from intra - company transactions	602,476,583	150,619,145	618,591,681	154,647,920
Unpaid bonus	141,808,257	35,485,814	94,462,722	23,671,611
Retirement benefit	26,186,243	6,546,561	27,980,857	6,995,214
Asset impairment provision	24,683,226	6,170,807	25,595,392	6,398,848
Deductible losses	262,937,999	67,566,387	345,639,059	88,584,337
Deferred income	86,227,293	18,868,963	109,797,054	24,285,203
Assets impairment loss	661,415	178,582	684,622	184,848
Accrued rebate	-	-	13,413,655	3,353,415
	<u>1,144,981,016</u>	<u>285,436,259</u>	<u>1,236,165,042</u>	<u>308,121,396</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Deferred tax assets/liabilities - continued

(2) Deferred tax liabilities

Item	31/12/2018		31/12/2017	
	Taxable temporary difference RMB	Deferred tax liability RMB	Taxable temporary difference RMB	Deferred tax liability RMB
Revaluation surplus in business combination not under common control	81,338,130	22,010,647	89,316,823	24,264,203

(3) Deferred tax assets and liabilities not recognized

	31/12/2018 RMB	31/12/2017 RMB
Deductible losses	171,430,831	150,320,039

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

	31/12/2018 RMB	31/12/2017 RMB
2018	-	-
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	21,110,792	-
	171,430,831	150,320,039

16. Short-term borrowings

	31/12/2018 RMB	31/12/2017 RMB
Credit loans	605,202,708	648,494,624
Mortgaged loans	79,467,832	65,939,662
Guaranteed loan	3,331,870	-
	688,002,410	714,434,286

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**16. Short-term borrowings - continued**

As at 31 December 2018, short-term borrowings detail were as follows:

	<u>Loans amount</u>	<u>Exchange rate</u>	<u>RMB</u>	<u>Nature of interest</u> %	<u>Interest rate in contract</u> %	<u>Year ended Interest rate</u>
Credit loans (RMB)	400,000,000	1.0000	400,000,000	Floating	1 year LPR- 0.04(Note 1)	4.35
Credit loans (RMB)	150,000,000	1.0000	150,000,000	Floating	Annual benchmark rate	4.35
Credit loans (EUR)	912,455	7.8473	7,160,308	Fixed	0.86~2.53	0.86~2.53
Credit loans (USD)	7,000,000	6.8632	48,042,400	Fixed	3.97~4.90	3.97~4.90
Mortgaged loans (EUR)	6,628,399	7.8473	52,015,032	Fixed	0.35~0.95	0.35~0.95
Mortgaged loans (USD)	4,000,000	6.8632	27,452,800	Fixed	4.22~4.38	4.22~4.38
Guaranteed loan(AUD)	690,543	4.8250	3,331,870	Fixed	3.00	3.00
			<u>688,002,410</u>			

Note 1: LPR is the basic interest rate of the People's Bank of China.

As at 31 December 2018, mortgaged loans were Hacienda y Vinedos Marques del Atrio, S.L.U ("Atrio ") factoring of accounts receivable from Banco de Sabadell, S.A. etc. EUR 6,628,399 (translated as RMB 52,015,032)(31 December 2017:RMB 46,337,062). Mortgaged loans were Indomita Wine mortgaged Peso 7,642,470,000 (translated as RMB 75,601,849) fixed assets from BBVA bank USD 4,000,000 (translated as RMB 27,452,800)(December 31, 2017: RMB 19,602,600). Australia Kilikanoon Estate has guaranteed loans of 690,543 Australian dollars (equivalent to RMB 3,331,870)(31 December 2017: Nil).

17. Notes and accounts payable

The aging analysis of accounts payable are as follows

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Within 1 year	710,208,269	664,020,176
1 to 2 years	3,091,659	2,051,592
2 to 3 years	121,598	371,111
Over 3 years	151,355	-
	<u>713,572,881</u>	<u>666,442,879</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**18. Advances from customers**

The aging analysis of advances from customers are as follows

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Within 1 year	221,022,547	340,025,690
1 to 2 years	1,155,555	7,072,254
2 to 3 years	1,032,609	381,463
Over 3 years	2,864,533	3,414,749
	<u>226,075,244</u>	<u>350,894,156</u>

19. Employee benefits payable**(1) Employee benefits payable as follows:**

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Short-term payroll	182,545,284	481,042,461	(477,694,636)	185,893,109
Post-demission benefits				
- predetermined provision plan	298,093	51,503,280	(51,576,508)	224,865
Termination benefits	27,980,857	13,677,216	(15,471,830)	26,186,243
	<u>210,824,234</u>	<u>546,222,957</u>	<u>(544,742,974)</u>	<u>212,304,217</u>

(2) Employee benefits payable:

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Salaries and bonus	185,014,318	428,052,734	(425,381,062)	187,685,990
Staff benefit	2,116,475	17,783,378	(16,885,565)	3,014,288
Staff welfare	524,316	20,677,314	(20,740,535)	461,095
Includes:				
Medical insurance	524,316	19,045,528	(19,109,404)	460,440
Injury insurance	-	895,750	(895,095)	655
Maternity insurance	-	736,036	(736,036)	-
Housing fund	39,256	10,444,925	(10,431,671)	52,510
Union fee and education fee	2,060,231	4,109,651	(4,255,803)	1,914,079
Total	<u>189,754,596</u>	<u>481,068,002</u>	<u>(477,694,636)</u>	<u>193,127,962</u>
Less: Non-current liabilities	<u>7,209,312</u>			<u>7,234,853</u>
Short-term payroll	<u>182,545,284</u>			<u>185,893,109</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Employee benefits payable - continued

(3) Predetermined provision plan

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Pension	297,591	50,534,986	(50,608,044)	224,533
Unemployment insurance	502	968,294	(968,464)	332
	<u>298,093</u>	<u>51,503,280</u>	<u>(51,576,508)</u>	<u>224,865</u>

The Group participates in pension insurance and unemployment insurance plans established by government institution. According to those plans, the Group pays pension and unemployment insurance each month on the basis of 12%-32% and 0.5%-3% last period salary respectively. Apart from these monthly expenses, the Group does not bear any further payment obligation. This year the Group should pay RMB 50,534,986 and RMB 968,294 (2017: RMB 48,834,066 and RMB 1,141,605) respectively into pension insurance and unemployment insurance. As at 31 December 2018, the Group has unpaid pension and unemployment insurance of RMB 224,533 and RMB 332 respectively (31 December 2017: RMB 297,591 and RMB 502), which is due to the pension insurance and unemployment insurance plan at the end of the reporting period. These payments have been paid after the end of the reporting period.

20. Taxes payable

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Value added tax	36,442,868	35,681,696
Consumption tax	28,636,646	44,961,022
Corporation income tax	40,869,507	38,834,293
Urban land use tax	2,476,527	2,645,687
Individual income tax	5,669,099	7,805,917
City construction tax	4,337,712	5,669,280
Property tax	5,165,128	4,647,644
Others	5,315,303	4,848,617
	<u>128,912,790</u>	<u>145,094,156</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

21. Other payables

21.1 Presented by categories

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Interest payable	712,826	771,250
Other payables	607,767,064	602,964,319
	<u>608,479,890</u>	<u>603,735,569</u>

21.2 Other payables

(1) Natures of other payables are as follows

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Payable to dealer deposit	159,191,138	139,710,963
Payables for equipment and construction	152,825,734	130,706,777
Payables for transportation	38,867,725	27,847,092
Royalty fee	78,414,978	77,208,929
Advertising costs	80,715,461	118,834,960
Withholding promotion costs	15,714,400	13,413,655
Employee deposit	2,806,766	13,327,132
Deposits from suppliers	15,901,210	3,082,595
Payables for contracting fee	27,070,584	38,070,571
Others	36,259,068	40,761,645
	<u>607,767,064</u>	<u>602,964,319</u>

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

<u>Company</u>	<u>Amount</u>	<u>Reasons</u>
	RMB	
Beijing Qinglang Agriculture Science and Technology Development Limited		
Company ("Beijing Qinglang")	9,493,506	Payables for contracting fee
VASF Company	4,878,866	Payables for contracting fee
	<u>14,372,372</u>	

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**22. Deferred income**

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Government grants		
Current liabilities	15,860,254	16,878,199
Non-current liabilities	70,367,039	92,918,855
	<u>86,227,293</u>	<u>109,797,054</u>

Government grants:

	Opening	Addition	Recognized in non-operating income /other income	Closing	Related to Assets/Income
	RMB	RMB	RMB	RMB	RMB
Wine base liquor brewage project	4,739,400	-	(1,434,900)	3,304,500	Assets
Shihezi chateau project funds	9,276,600	-	(2,280,000)	6,996,600	Assets
Xinjiang Industrial Rejuvenation and Technological Reconstruction Project	17,064,000	-	(1,422,000)	15,642,000	Assets
Special support for infrastructure facilities	5,300,000	-	(1,060,000)	4,240,000	Assets
Ningxia industry revitalization and technology reconstruction funds	1,086,000	-	(1,086,000)	-	Assets
Tourism Development Fund Subsidy Project	500,000	-	-	500,000	Income
Support enterprise development special funds	10,200,000	-	(10,200,000)	-	Income
(Huanren) wine production construction funds	3,600,000	-	(400,000)	3,200,000	Assets
Wine electronic tracking system specific funds	3,192,311	-	(667,054)	2,525,257	Assets
Miyun Propaganda Department transfer	888,945	-	(888,945)	-	Assets
Wine industry specific funds	744,000	-	(186,000)	558,000	Assets
Shandong Peninsula Blue Economic Area construction funds	8,000,000	-	(2,000,000)	6,000,000	Assets
Information system construction project technology funds	3,480,000	-	(580,000)	2,900,000	Assets
Cross-border e-Business projects subsidies	702,615	300,000	(122,359)	880,256	Income
Red wine phenolics research projects funds	284,601	-	(284,601)	-	Income
Grape base construction project	520,000	-	(520,000)	-	Assets
Water pollution abatement project	320,132	-	(113,602)	206,530	Income
Infrastructure construction project	1,843,750	-	(125,000)	1,718,750	Assets
Industrial development support project	36,900,000	-	(4,100,000)	32,800,000	Assets
Subsidy for updating of economic and energy-saving technology	1,154,700	-	(128,300)	1,026,400	Assets
Special funds for efficient water saving irrigation project	-	1,720,000	(81,000)	1,639,000	Assets
Guidance funds for service industry development	-	2,000,000	-	2,000,000	Income
Relocation allowance for boiler renovation	-	100,000	(10,000)	90,000	Income
Total	<u>109,797,054</u>	<u>4,120,000</u>	<u>(27,689,761)</u>	<u>86,227,293</u>	
Less: Non-current liabilities due within one year	16,878,199			15,860,254	
Other non-current liabilities	<u>92,918,855</u>			<u>70,367,039</u>	

As at 31 December 2018, the Group recognise current liability for deferred income to be accounted in profit or loss within one year, and recognise non-current liability for deferred income to be accounted in profit or loss over one year.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**23. Non-current liabilities due within one year**

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Long-term borrowings due within one year	118,940,788	76,954,827
Long-term payables due within one year	34,000,000	34,000,000
	<u>152,940,788</u>	<u>110,954,827</u>

As at 31 December 2018, Long-term borrowings due within one year refers to Note VI-24, Long-term payables due within one year refers to Note VI-25.

24. Long-term borrowings

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Credit loan	41,805,746	68,182,310
Mortgaged loan	3,924,916	6,693,544
Guaranteed loan	110,750,000	81,250,000
	<u>156,480,662</u>	<u>156,125,854</u>

As at 31 December 2018, loans detail is as follows:

	<u>Loans amount</u>	<u>Exchange rate</u>	<u>Amount</u>	<u>Nature</u>	<u>Interest rate</u>	<u>Year-end</u>	<u>Due within</u>	<u>Due over</u>
			RMB	of interest	%	borrowing rate	one year	one year
						%		
Guaranteed loan (RMB) (Note)	81,250,000	1.0000	81,250,000	Floating	5 year LPR- 0.9	4.275	18,750,000	62,500,000
Credit loan (EUR)	17,734,954	7.8473	139,171,506	Fixed	1.00-2.53	1.00-2.53	97,365,760	41,805,746
Mortgaged loan (EUR)(Note)	860,161	7.8473	6,749,944	Fixed	1.80	1.80	2,825,028	3,924,916
Guaranteed loan(AUD)(Note)	10,000,000	4.8250	48,250,000	Fixed	3.00	3.00	-	48,250,000
			<u>275,421,450</u>				<u>118,940,788</u>	<u>156,480,662</u>

Note: As at 31 December 2018, The secured loan is the long-term loan borrowed by the company for R&D Centre credit guarantee, RMB 81,250,000 (31 December 2017: RMB 100,000,000), mortgaged loans were Atrio using fixed assets EUR 4,264,170 (translated as RMB 33,462,225) as collateral for loans from Popular Español, EUR 860,161 (translated as RMB 6,749,944), (31 December 2017: RMB 9,502,372). The guaranteed loan(AUD) is the loan of AUD 10,000,000 borrowed by Australia Kilikanoon Estate from Australia & New Zealand banking(translated as RMB 48,250,000)(31 December 2017:Nil), which was guaranteed by the Company.

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

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Agricultural Development Fund of China ("CADF")	<u>225,000,000</u>	<u>259,000,000</u>

In 2016, RMB 305,000,000 from CADF was invested in R&D Centre, CADF accounted for 37.9% of the registered capital. According to the investment agreement, CADF will recovery investment funds over 10 years, the investment income received equal to 1.2% of the remaining unpaid principal per annum. In addition to the fixed income, CADF will no longer enjoy other profits or bear the loss of R&D Centre. Therefore although the investment in R&D Centre, nominally equity investment, is actually a debt investment (Financial discount loan). The group take this investment as long-term payables, which measured in amortized cost. The Group repays the principal of RMB 34,000,000 in 2018. Refer to Note VI-45 for details of mortgaged and pledged assets.

<u>Long-term payables</u> RMB	<u>Yield rate</u>	<u>Investment date</u>	<u>Termination date of repayment</u>	<u>Due within 1 year</u>	<u>Due after 1 year</u> RMB	<u>Mortgaged and pledged assets</u> RMB
67,000,000	1.2%	12 January 2016	24 December 2025	10,000,000	57,000,000	Cash and bank and intangible assets
176,000,000	1.2%	29 February 2016	28 February 2026	22,000,000	154,000,000	Fixed assets and intangible assets
16,000,000	1.2%	16 June 2016	22 May 2026	2,000,000	14,000,000	Cash and bank
<u>259,000,000</u>				<u>34,000,000</u>	<u>225,000,000</u>	

26. Other non-current liabilities

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Employee benefit	<u>7,234,853</u>	<u>7,209,312</u>

As at 31 December 2018, employee benefit represents deposit from bonus accrued for managers and above. According to the bonus payment schedule of 2018, the bonus is expected to be paid during 2020 to 2022.

27. Share capital

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Unrestricted shares				
A shares	453,460,800	-	-	453,460,800
B shares	<u>232,003,200</u>	<u>-</u>	<u>-</u>	<u>232,003,200</u>
Total of unrestricted shares and total shares	<u>685,464,000</u>	<u>-</u>	<u>-</u>	<u>685,464,000</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**28. Capital reserve**

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Share premium	560,038,853	-	-	560,038,853
Other	5,916,588	-	-	5,916,588
Total	<u>565,955,441</u>	<u>-</u>	<u>-</u>	<u>565,955,441</u>

29. Other comprehensive income

<u>2018</u>	<u>2018</u>						<u>Closing balance</u>
	<u>Opening balance</u>	<u>Before-tax amount</u>	<u>Less: last year other comprehensive income in P/L current year</u>	<u>Less: tax expense</u>	<u>Post-tax attributable to parent</u>	<u>Post-tax attributable to NCI</u>	
Other comprehensive income to be reclassified to profit and loss	3,109,240	(376,524)	-	-	(143,863)	(232,661)	2,965,377
Foreign currency statement translation difference	<u>3,109,240</u>	<u>(376,524)</u>	<u>-</u>	<u>-</u>	<u>(143,863)</u>	<u>(232,661)</u>	<u>2,965,377</u>

30. Surplus reserve

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Statutory surplus reserve	<u>342,732,000</u>	<u>-</u>	<u>-</u>	<u>342,732,000</u>

In accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, the Company is required to appropriate 10% of the net profit to the statutory surplus reserve until the accumulated balance of the statutory surplus reserve reaches 50% of the registered share capital. The Company does not appropriate net profit to the surplus reserve in 2018.

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

31. Retained earnings

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Retained earnings brought forward	7,309,081,618	6,620,118,562
Profit attributable to shareholders of the Company	1,042,632,929	1,031,695,056
Less: Dividends paid in respect prior year's profit	<u>(342,732,000)</u>	<u>(342,732,000)</u>
Retained earnings carried forward	<u>8,008,982,547</u>	<u>7,309,081,618</u>

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

As at 31 December 2018, the balance of the Group's unappropriated profits include appropriation to surplus reserve by subsidiaries amounting to RMB 54,336,543 (31 December 2017: RMB 51,994,942).

(2) Cash dividends approved by general meeting

According to the annual general meeting on 25 May 2018, dividends distribution plan has been made. On the basis of 685,464,000 issued share capital, RMB 5.0 (including taxes) for every 10 shares was distributed to shareholders, in total RMB 342,732,000 cash dividends.

(3) Profit distribution decided after the balance sheet date

According to a proposal of the board of directors approved on 18 April 2019, on the basis of 685,464,000 issued shares in 2018, cash dividends of RMB 6.0 (including taxes) for every 10 share will be distributed to all the shareholders. The aggregate amount of cash dividend is RMB 411,278,400. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

32. Operating income and costs

Operating income is analysed as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Principal operating income	5,066,265,044	4,856,168,699
Other operating income	75,979,696	76,376,530
	<u>5,142,244,740</u>	<u>4,932,545,229</u>

Operating cost is analysed as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Principal operating cost	1,872,991,039	1,645,690,616
Other operating cost	28,620,468	25,901,663
	<u>1,901,611,507</u>	<u>1,671,592,279</u>

The operating income for the Group is mainly from the sales of wine, brandy and sparkling wine. In 2018, Over 87% (2017: over 91%) of the sales generated in PRC.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**33. Taxes and surcharges**

	<u>2018</u> RMB	<u>2017</u> RMB
Consumption tax	157,037,382	177,879,324
City construction tax	39,655,738	52,247,915
Education fee and surcharges	28,762,507	35,831,575
Property tax	31,461,708	23,113,211
Land use tax	12,098,790	11,874,984
Stamp tax	4,507,785	3,945,731
Others	2,967,764	5,359,283
	<u>276,491,674</u>	<u>310,252,023</u>

For detail standards of tax rate please refer to Note V.

34. Selling expenses

	<u>2018</u> RMB	<u>2017</u> RMB
Marketing expenses	386,519,123	428,828,931
Salary and employee benefit	297,489,665	272,148,620
Freight	141,756,007	139,218,637
Trademark fee	73,976,395	72,838,612
Labor fee	72,036,252	67,860,856
Warehouse leasing expenses	45,668,613	53,075,132
Depreciation cost	41,410,740	34,963,089
Advertising fees	35,857,276	34,753,090
Conference expenses	32,731,215	31,609,123
Design cost	29,437,757	27,226,277
Travelling expenses	27,176,277	27,709,534
Security and sanitation fee	12,896,986	12,659,228
Water and electricity fee	11,297,244	11,247,163
Office allowance	9,707,518	6,165,561
Packing cost	8,195,160	7,163,930
Taxes	7,113,764	6,771,337
Amortization of low-value consumables	5,756,602	4,028,573
Business entertainment	5,665,336	4,403,750
Others	29,907,216	29,851,000
	<u>1,274,599,146</u>	<u>1,272,522,443</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**35. Administrative expense**

	<u>2018</u> RMB	<u>2017</u> RMB
Salary and employee benefit	114,473,209	106,342,126
Depreciation	71,978,485	71,558,307
Maintenance fee	25,189,384	21,665,024
Administrative expenses	23,766,176	22,173,925
Amortization	18,187,049	22,438,364
Greening fee amortization	14,730,804	10,667,941
Contracting fee	13,364,835	21,162,623
Rental fees	13,012,167	12,414,249
Safe production cost	9,692,574	7,840,215
Security and sanitation fee	8,659,405	6,317,723
Service fee	6,556,258	12,118,257
Entertainment fee	5,300,526	5,470,001
Travelling expenses	3,630,225	4,747,256
Others	15,039,554	11,545,122
	<u>343,580,651</u>	<u>336,461,133</u>

36. Financial expense

	<u>2018</u> RMB	<u>2017</u> RMB
Interest income	(12,086,007)	(9,168,772)
Exchange income	(666,323)	(182,610)
Interest expenses	52,198,774	32,233,729
Less: Capitalization of interests	5,843,872	6,138,242
Bank charges	2,342,730	1,846,154
	<u>35,945,302</u>	<u>18,590,259</u>

37. (Reversal of) Impairment loss of assets

	<u>2018</u> RMB	<u>2017</u> RMB
(Reversal of) Inventory impairment	(912,166)	7,938,748
Impairment losses from other receivables	-	354,805
	<u>(912,166)</u>	<u>8,293,553</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

38. Other income

<u>Project Subsidy</u>	<u>2018</u> RMB	<u>2017</u> RMB	<u>Assets/income related</u>
Tax refund	6,587,773	17,765,560	Income
Special funds for manufacturing industry	4,750,000	4,100,000	Income
Industrial development support project	4,100,000	-	Assets
Ningxia industry revitalization and technology reconstruction funds	1,086,000	3,295,000	Assets
Project funds	2,280,000	2,280,000	Assets
Shandong Peninsula Blue Economic Area construction funds	2,000,000	2,000,000	Assets
Special funds for the development of enterprises	42,953,900	-	Income
Others	7,493,199	6,352,199	Assets
Others	16,030,562	10,245,625	Income
	<u>87,281,434</u>	<u>46,038,384</u>	

39. Non-operation income

	<u>2018</u> RMB	<u>2017</u> RMB	<u>Recognized in extraordinary profit and loss</u> RMB
Government grants	-	1,600,000	-
Penalty income	1,901,530	7,993,571	1,901,530
Others	5,451,779	7,637,156	5,451,779
	<u>7,353,309</u>	<u>17,230,727</u>	<u>7,353,309</u>

40. Non-operation expenses

	<u>2018</u> RMB	<u>2017</u> RMB	<u>Recognized in extraordinary profit and loss</u> RMB
Compensation and penalty loss	2,576,838	347,528	2,576,838
Donation	293,819	294,899	293,819
Others	665,251	989,049	665,251
	<u>3,535,908</u>	<u>1,631,476</u>	<u>3,535,908</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

41. Income tax

	<u>2018</u> RMB	<u>2017</u> RMB
Current income tax	352,598,370	330,784,002
Deferred income tax	14,529,152	7,350,243
	<u>367,127,522</u>	<u>338,134,245</u>

Reconciliation between income tax expenses and profits is as follows:

	<u>2018</u> RMB	<u>2017</u> RMB
Profit before tax	1,408,611,698	1,371,927,763
Income tax expense at statutory tax rate 25% (2017:25%)	352,152,925	342,981,941
Effect of different tax rates applied by certain subsidiaries	(949,634)	(9,600,821)
Changes in opening balances of deferred tax liabilities due to tax rate adjustment	-	(1,342,916)
Unrecognised Deductible loss	4,642,727	3,590,697
Utilization of Deductible losses which were not recognized previously	-	(6,157,735)
Non-deductible expenses	5,496,292	7,550,095
Write-off of deferred tax assets	5,785,212	1,112,984
Income tax expenses	<u>367,127,522</u>	<u>338,134,245</u>

42. Basic and dilutive earnings per share

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

	<u>2018</u> RMB	<u>2017</u> RMB
Earnings		
Consolidated profit attributable to ordinary shareholders of the Company	<u>1,042,632,929</u>	<u>1,031,695,056</u>
Shares		
Weighted average number of outstanding ordinary shares	<u>685,464,000</u>	<u>685,464,000</u>
Basic earnings per share	<u>1.52</u>	<u>1.51</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**42. Basic and dilutive earnings per share - continued**

The Company does not have potential dilutive ordinary shares.

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

43. Notes to consolidated cash flow statement**(1) Cash received relating to other operating activities:**

	<u>2018</u> RMB	<u>2017</u> RMB
Government grants	57,123,900	20,930,752
Interest income	7,871,853	3,839,079
Penalty income	1,901,530	7,993,571
Refundable deposits of notes payable	-	46,900,000
Others	5,806,589	5,573,503
	<u>72,703,872</u>	<u>85,236,905</u>

(2) Cash paid relating to other operating activities:

	<u>2018</u> RMB	<u>2017</u> RMB
Selling expenses	918,966,855	956,902,163
General and administrative expenses	140,112,380	107,905,766
Refundable deposits of notes payable	-	8,000,000
Others	4,637,082	2,103,059
	<u>1,063,716,317</u>	<u>1,074,910,988</u>

(3) Cash paid for the purchase subsidiaries and other equity:

	<u>2018</u> RMB	<u>2017</u> RMB
Cash paid for acquisition of Australia Kilikanoon Estate	107,194,420	-
Less: Cash and bank for Australia Kilikanoon Estate at acquisition date	1,359,765	-
Cash paid for acquisition of Indomita Wine	-	318,867,650
Less: Cash and bank for Indomita Wine at acquisition date	-	15,071,107
	<u>105,834,655</u>	<u>303,796,543</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

43. Notes to consolidated cash flow statement - continued

(4) Cash received relating to other financing activities:

	<u>2018</u> RMB	<u>2017</u> RMB
Received government grants related to assets	-	5,800,000
R&D Centre long-term payables pledged time deposit	61,700,000	46,100,000
Interest income from R&D Centre long-term payables pledged time deposit	768,259	1,030,804
	<u>62,468,259</u>	<u>52,930,804</u>

(5) Cash paid relating to other financing activities:

	<u>2018</u> RMB	<u>2017</u> RMB
R&D Centre long-term payables pledged time deposit	<u>46,100,000</u>	<u>61,700,000</u>

44. Supplementary information to consolidated cash flow statement

(1) Supplementary information to consolidated cash flow statement

	<u>2018</u> RMB	<u>2017</u> RMB
Cash flows from operating activities calculated by adjusting the net profit:		
Net profit	1,041,484,176	1,033,793,518
Add: Loss for (reversal of) impairment of assets	(912,166)	8,293,553
Depreciation of investment properties	1,857,902	590,610
Depreciation of fixed assets	297,838,358	250,264,403
Amortization of intangible assets	19,018,740	24,098,781
Depreciation of biological assets	12,034,812	10,160,981
Amortization of long-term prepaid expenses	12,082,117	13,911,581
(Gains) losses on disposal of assets	(11,368,355)	222,586
Finance expense	45,855,744	22,381,504
Decrease in deferred tax assets	22,685,137	13,315,979
Decrease in deferred tax liabilities	(8,155,985)	(5,965,736)
Increase in inventories	(180,452,933)	(138,995,031)
Increase in operating receivables	(137,899,294)	(180,593,570)
Decrease in operating payables	(138,089,507)	(78,236,132)
Net cash flows from operating activities	<u>975,978,746</u>	<u>973,243,027</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Supplementary information to consolidated cash flow statement - continued

(2) Significant investing and financing activities not involving cash receipts and payments.

	<u>2018</u> RMB	<u>2017</u> RMB
Payment of intangible assets and other long-term assets by bank acceptances	109,378,598	140,493,507

(3) Cash and cash equivalents

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Closing balance of Cash and bank	1,475,700,477	1,402,522,509
Less:		
Restricted bank deposits	2,611,350	2,645,410
Restricted other monetary funds	93,186,393	123,987,825
Deposit with a period of over three months	173,042,400	95,000,000
Closing balance of cash and cash equivalents	1,206,860,334	1,180,889,274

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Cash	1,206,860,334	1,180,889,274
Including: Cash on hand	114,335	136,973
Bank deposits on demand	1,206,745,999	1,180,752,301
Closing balance of cash and cash equivalents	1,206,860,334	1,180,889,274

45. Assets with restriction of ownership

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Cash and bank	95,797,743	126,633,235
Account receivable	52,015,032	46,337,062
Fixed assets	412,006,421	145,009,923
Intangible assets	218,070,414	164,051,996

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**45 Assets with restriction of ownership - continued**

As at 31 December 2018, Cash and bank with restriction of ownership as follows:

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
R&D Centre long-term payables pledged time deposit	46,100,000	61,700,000
Refundable deposits of letter of credit	44,540,850	57,946,190
Balance in Alipay account	2,483,816	4,317,635
Home maintenance funds	2,611,350	2,645,410
Margin for entity card	51,727	14,000
Deposit for ICBC platform	10,000	10,000
Total	<u>95,797,743</u>	<u>126,633,235</u>

Among the aforementioned items, the amount of RMB 2,483,816 which is the blocked balances of goods payment in Alipay account can be unlocked after 15 days.

As at 31 December 2018, the amount of accounts receivable with restricted ownership is EUR 6,628,399 (translated as RMB 52,015,032), which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. etc.

As at 31 December 2018, fixed assets with restriction of ownership as follows:

Company	<u>Restricted reasons</u>	<u>31/12/2018</u>
		RMB
The Company	Long-term payable collateral from R&D Centre	34,246,887
Sales Company	Long-term payable collateral from R&D Centre	39,557,304
Sales Company	Long-term borrowings collateral	33,462,225
Indomita Wine	Short-term borrowings collateral	75,601,849
Ningxia Moser 15th Changyu Wine Chateau Co., Ltd. ("Ningxia Chateau")	Long-term payable collateral from R&D Centre	184,678,629
Ningxia Wine Co.Ltd. ("Ningxia Wine").	Long-term payable collateral from R&D Centre	44,459,527
Total		<u>412,006,421</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**45 Assets with restriction of ownership - continued**

As at 31 December 2018, Intangible assets with restriction of ownership as follows:

Company	<u>Restricted reasons</u>	<u>31/12/2018</u> RMB
The Company	Long-term payable collateral from R&D Centre	50,902,950
R&D Centre	Long-term payable collateral from R&D Centre	108,913,538
Ningxia Chateau	Long-term payable collateral from R&D Centre	8,906,611
Ningxia Wine	Long-term payable collateral from R&D Centre	49,347,315
Total		<u>218,070,414</u>

46. Foreign monetary items**(1) Foreign monetary items**

The foreign monetary items located within China are as follows:

	<u>Closing foreign</u> <u>currency balance</u>	<u>Exchange</u> <u>rate</u>	<u>Closing translated</u> <u>RMB balance</u>
Cash and bank			
EUR	127	7.8473	997
HKD	213	0.8762	187
USD	<u>7,196,107</u>	<u>6.8632</u>	<u>49,388,322</u>

(2) Overseas business entities

The Company's overseas subsidiaries determine bookkeeping currency based on the primary economic environment. The bookkeeping base currency of Atrio and Francs Champs Participations SAS ("Francs Champs") are all in Euro, and the bookkeeping base currency of Indomita Wine is Chilean peso. The functional currency of Australia Kilikanoon Estate is AUD. The foreign monetary assets and liabilities of the overseas subsidiaries are as follows:

	<u>Closing foreign</u> <u>currency balance</u>	<u>Exchange</u> <u>rate</u>	<u>Closing translated</u> <u>RMB balance</u>
Cash and bank			
EUR	25,328	7.8473	198,756
USD	276,196	6.8632	1,895,588
Short-term borrowings			
USD	<u>11,000,000</u>	<u>6.8632</u>	<u>75,495,200</u>

VII. CHANGE IN CONSOLIDATION SCOPE**1. Business combination under different control****(1) Business combination under different control in current period**

Name of acquisition company	Equity acquisition date	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Acquisition date	Basis of acquisition date	Revenue from acquisition date to year end RMB	Net profit from acquisition date to year end RMB
Australia Kilikanoon Estate	18 January 2018	AUD 20,860,825	80%	Purchase	18 January 2018	Finish payment and acquire equity	57,648,905	217,869

Other detail information:

Pursuant to the Agreement on the delivery of transferred equities entered into between the shareholders of the Company and Australia Kilikanoon Estate on 5 December 2017, the Company acquired 80% equity interests of Australia Kilikanoon Estate at the consideration of AUD 20,860,825(translated as RMB 107,194,420). The Company completed the equity transfer on 18 January 2018 and obtained the control of financial and operating policies over Australia Kilikanoon Estate.

(2) Consideration and Goodwill**Consideration**

	<u>Australia Kilikanoon Estate</u> RMB
Cash	107,194,420
Total consideration	107,194,420
Less: acquired provisional value of net assets	70,131,290
Goodwill	<u>37,063,130</u>

(3) Recognised assets and liabilities of mergee at acquisition date

	<u>Australia Kilikanoon Estate</u>	
	<u>Fair value</u> <u>at acquisition date</u> RMB	<u>Book value</u> <u>at acquisition date</u> RMB
Assets		
Cash and bank	1,359,765	1,359,765
Accounts receivable	10,366,281	10,366,281
Prepayment	237,174	237,174
Other receivables	187,720	187,720
Inventories	69,612,312	57,946,312
Fixed assets	49,029,999	38,696,709
Intangible assets	16,417,886	7,461,624
Total assets	<u>147,211,137</u>	<u>116,255,585</u>

VII. CHANGE IN CONSOLIDATION SCOPE - continued

1. Business combination under different control - continued

(3) Recognised assets and liabilities of acquiree at acquisition date- continued

	Australia Kilikanoon Estate	
	Fair value	Book value
	at acquisition date RMB	at acquisition date RMB
Liabilities		
Short-term borrowings	1,282,550	1,282,550
Accounts payable	6,198,846	6,198,846
Employee benefits payable	876,987	876,987
Taxes payable	1,789,093	1,789,093
Long-term borrowings	43,497,119	43,497,119
Deferred tax liabilities	5,902,429	-
Total liabilities	59,547,024	53,644,595
Net assets	87,664,113	62,610,990
Less: Non-controlling interests	17,532,823	12,522,198
Acquired net assets	70,131,290	50,088,792

VIII. INTERESTS IN OTHER ENTITIES

1. Structure of the Group

Name	Address	Place of registration	Nature	Equity interest owned by the company		Acquisition method
				Direct	Indirect	
Xinjiang Tianzhu (a)	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	60%	-	Subsidiary acquired in business combination under non-common control
Fransac Sales	Cognac, France	Cognac, France	Trading	-	100%	Subsidiary acquired in business combination under non-common control
Mirefleurs	Bordeaux, France	Bordeaux, France	Trading	-	100%	Subsidiary acquired in business combination under non-common control
Atrio	Navarra, Spain	Navarra, Spain	Sales	75%	-	Subsidiary acquired in business combination under non-common control
IWCC	Santiago, Chile	Santiago, Chile	Sales	85%	-	Subsidiaries acquired by establishment
Australia Kilikanoon Estate	Adelaide Australia	Adelaide Australia	Sales	80%	-	Subsidiary acquired in business combination under non-common control
Beijing Changyu Sales and distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Sales	100%	-	Subsidiaries acquired by establishment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu-Castel Wine Chateau Co., Ltd ("Changyu Chateau") (b)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	70%	-	Subsidiaries acquired by establishment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Manufacturing	90%	10%	Subsidiaries acquired by establishment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	100%	-	Subsidiaries acquired by establishment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel") (c)	Lanfang, Hebei, China	Lanfang, Hebei, China	Manufacturing	39%	10%	Subsidiaries acquired by establishment

VIII. INTERESTS IN OTHER ENTITIES - continued

1. Structure of the Group - continued

Name	Address	Place of registration	Nature	Equity interest owned by the company		Acquisition method
				Direct	Indirect	
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	10%	90%	Subsidiaries acquired by establishment
Langfang Changyu Pioneer Wine Sales Co., Ltd. ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Sales	10%	90%	Subsidiaries acquired by establishment
Shanghai Changyu Sales and distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Sales	30%	70%	Subsidiaries acquired by establishment
Beijing Changyu AFIP Agriculture development Co., Ltd. ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Chateau (d)	Beijing, China	Beijing, China	Manufacturing	90%	-	Subsidiaries acquired by establishment
Yantai ("Beijing Chateau") Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	90%	10%	Subsidiaries acquired by establishment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	70%	30%	Subsidiaries acquired by establishment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Ningxia Growing	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Planting	100%	-	Subsidiaries acquired by establishment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Sales	100%	-	Subsidiaries acquired by establishment
Liaoning Changyu Ice Wine Chateau Co., Ltd. ("Ice Chateau") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	51%	-	Subsidiaries acquired by establishment
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Shenzhen Changyu Wine Marketing Ltd. ("Shenzhen Marketing")	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Sales	-	100%	Subsidiaries acquired by establishment
Yantai Changyu Fushan Trading Company ("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Service	-	100%	Subsidiaries acquired by establishment
Beijing AFIP Tourism and Culture ("AFIP Tourism")	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	-	100%	Subsidiaries acquired by establishment
Ningxia Wine	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu DingLuoTe Chateau. ("Ding Luo Te Chateau")	Yantai, Shandong, China	Yantai, Shandong, China	Retail and Sales	65%	35%	Subsidiaries acquired by establishment
Qing Tong Xia Changyu Wine Marketing Ltd. ("Qing Tong Xia Sales")	Qing Tong Xia, Ningxia, China	Qing Tong Xia, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Shihezi Chateau	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Ningxia Chateau	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Shanxi Changyu Rina Castle Chateau Co., Ltd. ("Chang'an Chateau")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
R&D Centre (f)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	72%	-	Subsidiaries acquired by establishment
Changyu (HuanRen) Wine Co., Ltd. ("Huan Ren Wine")	Benxi Liaoning, China	Benxi Liaoning, China	Wine production	100%	-	Subsidiaries acquired by establishment
Xinjiang Changyu Sales Co., Ltd. ("Xinjiang Sales")	Shihezi Xinjiang, China	Shihezi Xinjiang, China	Projecting Sales	-	100%	Subsidiaries acquired by establishment
Ningxia Changyu Trading Co., Ltd. ("Ningxia Trading")	Yinchuan Ningxia, China	Yinchuan Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Shanxi Changyu Rina Wine Sales Co., Ltd. ("Shanxi Sales")	Xianyang Shanxi, China	Xianyang Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Penglai Changyu Wine Sales Co., Ltd. ("Penglai Sales")	Penglai Shandong, China	Penglai Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Laizhou Changyu Wine Sales Co., Ltd. ("Laizhou Sales")	Laizhou Shandong, China	Laizhou Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Francs Champs	Cognac, France	Cognac, France	Investment and trading	100%	-	Subsidiaries acquired by establishment
Lanzhou Changyu Wine Sales Co., Ltd. ("Lanzhou Sales")	Lanzhou Gansu, China	Lanzhou Gansu, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Retailing Co. Ltd. ("Beijing Retailing")	Beijing, China	Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Tianjin Changyu Pioneer Sales Co., Ltd. ("Tianjin Pioneer")	Tianjin, China	Tianjin, China	Sales	-	100%	Subsidiaries acquired by establishment
Fuzhou Changyu Pioneer Sales Co., Ltd. ("Fuzhou Pioneer")	Fuzhou Fujian, China	Fuzhou Fujian, China	Sales	-	100%	Subsidiaries acquired by establishment
Nanjing Changyu Pioneer Sales Co., Ltd. ("Nanjing Pioneer")	Nanjing, Jiangsu, China	Nanjing, Jiangsu, China	Sales	-	100%	Subsidiaries acquired by establishment
Xianyang Changyu Pioneer Sales Co., Ltd. ("Xianyang Pioneer")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Shenyang Changyu Pioneer Sales Co., Ltd. ("Shenyang Pioneer")	Shenyang, Liaoning, China	Shenyang, Liaoning, China	Sales	-	100%	Subsidiaries acquired by establishment
Jinan Changyu Pioneer Sales Co., Ltd. ("Jinan Pioneer")	Jinan, Shandong, China	Jinan, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Shanghai Changyu Pioneer Sales Co., Ltd. ("Shanghai Pioneer")	Shanghai, China	Shanghai, China	Sales	-	100%	Subsidiaries acquired by establishment
Fuzhou Changyu Pioneer Sales Co., Ltd. ("Fuzhou Pioneer")	Fuzhou, Jiangxi, China	Fuzhou, Jiangxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Shijiazhuang Changyu Pioneer Sales Co., Ltd. ("Shijiazhuang Pioneer")	Shijiazhuang, Hebei, China	Shijiazhuang, Hebei, China	Sales	-	100%	Subsidiaries acquired by establishment
Hangzhou Yuzefeng Sales Co., Ltd. ("Hangzhou Yuzefeng")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Jilin Changyu Pioneer Sales Co., Ltd. ("Jilin Pioneer")	Changchun, Jilin, China	Changchun, Jilin, China	Sales	-	100%	Subsidiaries acquired by establishment

VIII. INTERESTS IN OTHER ENTITIES - continued**1. Structure of the Group - continued**

Name	Address	Place of registration	Nature	Equity interest owned by the company		Acquisition method
				Direct	Indirect	
Beijing Changyu Pioneer Sales Co., Ltd ("Beijing Pioneer")	Beijing, China	Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Harbin Changyu Pioneer Sales Co., Ltd ("Harbin Pioneer")	Harbin, Heilongjiang, China	Harbin, Heilongjiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Hunan Changyu Pioneer Sales Co., Ltd ("Hunan Pioneer")	Changsha, Hunan, China	Changsha, Hunan, China	Sales	-	100%	Subsidiaries acquired by establishment
Yinchuan Changyu Pioneer Sales Co., Ltd ("Yinchuan Pioneer")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Kunming Changyu Pioneer Sales Co., Ltd ("Kunming Pioneer")	Kunming, Yunnan, China	Kunming, Yunnan, China	Sales	-	100%	Subsidiaries acquired by establishment
Chongqing Changyu Pioneer Sales Co., Ltd ("Chongqing Pioneer")	Chongqing, China	Chongqing, China	Sales	-	100%	Subsidiaries acquired by establishment
Wuhan Changyu Pioneer Sales Co., Ltd ("Wuhan Pioneer")	Wuhan, Hubei, China	Wuhan, Hubei, China	Sales	-	100%	Subsidiaries acquired by establishment
Hohhot Changyu Pioneer Sales Co., Ltd ("Hohhot Pioneer")	Hohhot Inner Mongolia, China	Hohhot Inner Mongolia, China	Sales	-	100%	Subsidiaries acquired by establishment
Chengdu Changyu Pioneer Sales Co., Ltd ("Chengdu Pioneer")	Chengdu, Sichuan, China	Chengdu, Sichuan, China	Sales	-	100%	Subsidiaries acquired by establishment
Nanning Changyu Pioneer Sales Co., Ltd ("Nanning Pioneer")	Nanning, Guangxi, China	Nanning, Guangxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Lanzhou Changyu Pioneer Sales Co., Ltd ("Lanzhou Pioneer")	Lanzhou Gansu, China	Lanzhou Gansu, China	Sales	-	100%	Subsidiaries acquired by establishment
Yantai Fulangduo	Yantai Shandong, China	Yantai Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Hefei Changyu Pioneer Sales Co., Ltd ("Hefei Pioneer")	Hefei, Anhui, China	Hefei, Anhui, China	Sales	-	100%	Subsidiaries acquired by establishment
Urumchi Changyu Pioneer Sales Co., Ltd ("Urumchi Pioneer")	Urumchi Xinjiang, China	Urumchi Xinjiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Guangzhou Changyu Pioneer Sales Co., Ltd ("Guangzhou Pioneer")	Guangzhou Guangdong, China	Guangzhou Guangdong, China	Sales	-	100%	Subsidiaries acquired by establishment
Grape Wine Marketing Ltd.	Yantai Shandong China	Yantai Shandong China	Sales	100%	-	Subsidiaries acquired by establishment

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

- (a) Xinjiang Tianzhu was acquired by the Company, accounting for 60% of Xinjiang Tianzhu's equity interest. Through agreement arrangement, the Company has the full power to control Xinjiang Tianzhu's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 6 August 2017. Upon the expiry of the agreement arrangement, the non-controlling interests of Xinjiang Tianzhu will normally enjoy/commit all the rights and obligations of the shareholders as stipulated in the Articles of Association.
- (b) Changyu Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.
- (c) Langfang Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 49% of Langfang Chateau's equity interest by the Company and subsidiaries. Through agreement arrangement, the Company has the full power to control Langfang Chateau's strategic operating, investing and financing policies. The agreement arrangement was terminated on 31 December 2017. Minority shareholders of Langfang Chateau will be entitled to/abided by the rights/obligations of the shareholders as agreed in the Articles of Association upon the due date of the agreement arrangement.
- (d) Beijing Chateau is a joint venture established by the Company, Yantai De'an and Beijing Qinglang, and the Company increases the capital contribution RMB 502,910,000 in this period, Yantai De'an and Beijing Qinglang together increase the capital contribution RMB29,840,000. Beijing Chateau has compelled the business registration on 22 December 2017. After capital contribution increased, the Company is accounting for 90% of Beijing Chateau's equity interest. The Company gets the control over operation, investment, and financial decision of Beijing Chateau through agreement arrangement, which will terminate on 2 September 2019.

VIII. INTERESTS IN OTHER ENTITIES - continued

1. Structure of the Group - continued

- (e) Ice Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 51% of Ice Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Ice Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2021.
- (f) R&D Centre is a joint venture established by the Company and CADF, accounting for 72% of R&D Centre's equity interest at 31 December 2018. The Company has complete control over the operation, investment and financial policies of the R&D Centre subject to the contract arrangement as described in Note VI-25. The contract arrangement will expire on 22 May 2026. As at 31 December 2018, the remaining investment of IFAD accounted for 28% of the registered capital.

2. Non-wholly owned subsidiaries

<u>Name interest</u>	<u>Minority shareholder ratio</u>	<u>Profit and loss belongs to non-controlling interest</u>	<u>Distributions to shareholders</u>	<u>Assimilate non-controlling interest</u>	<u>31/12/2018 non-controlling interest</u>
Xinjiang Tianzhu	40%	(2,760,804)	-	-	50,612,648
Atrio	25%	844,190	(744,149)	-	31,726,931
Changyu Chateau	30%	-	-	-	12,365,016
Langfang Castel	51%	(1,774,541)	-	-	20,927,981
Beijing Chateau	10%	-	-	-	65,133,868
Ice Chateau	49%	-	-	-	33,319,062
IWCC	15%	2,619,885	(2,655,627)	-	53,079,827
Australia Kilikanoon Estate	20%	(310,144)	-	17,532,823	17,222,679
		<u>(1,381,414)</u>	<u>(3,399,776)</u>	<u>17,532,823</u>	<u>284,388,012</u>

VIII. INTERESTS IN OTHER ENTITIES - continued

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

Name	31/12/2018						31/12/2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	27,390,495	66,486,795	93,877,290	-	5,336,114	5,336,114	30,264,441	71,323,940	101,588,381	809,080	5,336,114	6,145,194
Changyu Chateau	141,298,023	114,694,168	255,992,191	171,869,662	-	171,869,662	140,038,021	115,435,985	255,474,006	175,061,601	-	175,061,601
Langfang Castel	17,659,511	16,001,682	33,661,193	3,358,322	-	3,358,322	22,728,536	17,973,719	40,702,255	6,133,909	-	6,133,909
Beijing Chateau	219,973,582	461,115,089	681,088,671	62,598,545	-	62,598,545	214,079,274	481,668,050	695,747,324	73,963,043	-	73,963,043
Ice Chateau	45,194,591	23,920,890	69,115,481	14,974,458	100,000	15,074,458	38,657,358	25,484,359	64,141,717	10,871,695	100,000	10,971,695
Atrio	464,421,130	99,080,668	563,501,798	381,659,315	54,520,937	436,180,252	398,835,959	116,299,504	515,135,463	299,030,002	89,336,338	388,366,340
IWCC	214,784,490	300,969,342	515,753,832	148,359,328	4,976,161	153,335,489	175,669,256	305,664,706	481,333,962	122,023,764	5,206,406	127,230,170
Australia Kilikanoon Estate	87,634,707	63,759,866	151,394,573	13,387,942	51,893,171	65,281,113	N/A	N/A	N/A	N/A	N/A	N/A

Name	2018					2017				
	Revenue	Net profit (loss)	Total comprehensive income	Operating activities cash flows		Revenue	Net profit (loss)	Total comprehensive income	Operating activities cash flows	
Xinjiang Tianzhu	18,803	(6,902,010)	(6,902,010)	43,112		116,555,588	15,531,513	15,531,513	32,224,800	
Changyu Chateau	121,235,278	3,710,124	3,710,124	16,096,447		68,964,230	985,910	985,910	19,629,212	
Langfang Castel	5,038,281	(3,479,492)	(3,479,492)	673,422		39,165,527	(1,616,638)	(1,616,638)	(1,554,380)	
Beijing Chateau	159,369,783	16,555,846	16,555,846	19,627,933		145,103,200	17,475,647	17,475,647	49,964,881	
Ice Chateau	57,290,490	870,994	870,994	289,782		49,643,396	1,241,699	1,241,699	(1,748,535)	
Atrio	327,550,545	3,811,465	3,376,761	6,129,923		281,007,167	2,000,682	7,701,416	(32,148,326)	
IWCC	262,104,563	15,934,347	17,465,900	3,584,648		157,953,467	28,791,684	31,458,952	16,482,765	
Australia Kilikanoon Estate	57,648,905	217,869	(1,550,720)	(1,522,151)		N/A	N/A	N/A	N/A	

* This is amount incurred in the period between acquisition date and 31 December 2018.

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

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

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

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

1. Risk management objectives and policies

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with EUR and USD. Several of the Group's subsidiaries have purchases and sales denominated in EUR, Chilean peso and Australia dollar, borrowings denominated in USD, while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2018, except that the assets and liabilities stated in the table below are foreign currency deposits or excess of borrowings, the assets and liabilities of each entity of the Group are settled in their respective functional currencies.

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Bank and cash (EUR)	199,753	1,190,459
Bank and cash (USD)	51,283,910	34,843,968
Short-term borrowings (USD)	75,495,200	58,807,800

Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance. The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently does not take any measures to hedge currency risk exposures.

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

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

Domestic entities:

		<u>Current year</u>		<u>Prior year</u>	
		<u>Effect on profit</u>	<u>Effect on</u>	<u>Effect on profit</u>	<u>Effect on</u>
<u>Change in exchange rate</u>		<u>RMB</u>	<u>shareholders'</u>	<u>RMB</u>	<u>shareholders'</u>
			<u>equity</u>		<u>equity</u>
			<u>RMB</u>		<u>RMB</u>
EUR	5% increase against RMB	50	50	50	50
EUR	5% decrease against RMB	(50)	(50)	(50)	(50)
USD	5% increase against RMB	2,469,416	2,469,416	1,456,525	1,456,525
USD	5% increase against RMB	(2,469,416)	(2,469,416)	(1,456,525)	(1,456,525)

Overseas entities:

		<u>Current year</u>		<u>Prior year</u>	
		<u>Effect on profit</u>	<u>Effect on</u>	<u>Effect on profit</u>	<u>Effect on</u>
<u>Change in exchange rate</u>		<u>RMB</u>	<u>shareholders'</u>	<u>RMB</u>	<u>shareholders'</u>
			<u>equity</u>		<u>equity</u>
			<u>RMB</u>		<u>RMB</u>
USD	5% increase against EUR	900	900	52,695	52,695
USD	5% decrease against EUR	(900)	(900)	(52,695)	(52,695)
USD	15% increase against Chile Peso	(11,042,641)	(11,042,641)	(5,275,651)	(5,275,651)
USD	15% decrease against Chile Peso	11,042,641	11,042,641	5,275,651	5,275,651
EUR	10% increase against Chile Peso	19,876	19,876	58,350	58,350
EUR	10% decrease against Chile Peso	(19,876)	(19,876)	(58,350)	(58,350)

Note: As at 31 December 2018, the Group's management anticipated a change of 5% in exchange rate for USD to EUR, 10% in exchange rate for EUR to Chilean Peso and 15% in exchange rate for USD to Chilean Peso.

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued**1. Risk management objectives and policies - continued****1.1 Market risk- continued****1.1.2 Interest rate risk - risk of changes in cash flows**

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (Refer to Note VI-1, Note VI-16 and Note VI-24 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

The sensitivity analysis on interest rate risk

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

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

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

		<u>Current year</u>		<u>Prior year</u>	
		<u>Effect on profit</u>	<u>Effect on shareholders' equity</u>	<u>Effect on profit</u>	<u>Effect on shareholders' equity</u>
<u>Change in interest rate</u>					
Bank borrowings	50% increase	(2,016,667)	(2,016,667)	(2,046,646)	(2,046,646)
Bank borrowings	50% decrease	2,016,667	2,016,667	2,046,646	2,046,646

Note: As at 13 December 2018, the Group's management anticipated a change of 50 basis points in the bank's variable interest rate.

1.2 Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

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

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

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2018, 19.8% of the Group trade receivables are due from top five customers (31 December 2017: 20.7%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Non-derivative financial liabilities

	<u>Less than one month</u> RMB	<u>1-3 months</u> RMB	<u>3-12 months</u> RMB	<u>1-5 years</u> RMB	<u>More than five years</u> RMB	<u>Total</u> RMB
Short-term borrowings	2,338,698	57,691,463	641,831,131	-	-	701,861,292
Accounts payable	163,879,578	327,759,156	221,934,147	-	-	713,572,881
Other payables	155,842,255	179,896,318	256,314,091	-	-	592,052,664
Interest payable	712,826	-	-	-	-	712,826
Long-term borrowings	8,382,996	31,970,170	85,822,835	168,574,037	-	294,750,038
Long-term payables	-	22,762,934	14,158,433	143,555,433	90,356,300	270,833,100
	<u>331,156,353</u>	<u>620,080,041</u>	<u>1,220,060,637</u>	<u>312,129,470</u>	<u>90,356,300</u>	<u>2,573,782,801</u>

1.4 Fair value disclosure - Financial assets and liabilities not measured using fair value

	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u> of fair value	<u>Level 2</u> of fair value	<u>Level 3</u> of fair value	
Long-term payables measured at amortized cost	<u>259,000,000</u>	<u>-</u>	<u>223,263,886</u>	<u>-</u>	<u>223,263,886</u>

As at 31 December 2018, The management of the Group believes that, apart from the aforementioned long-term payables, the carrying amounts of other financial assets and financial liabilities measured at amortised cost in the financial statements are close to the fair values of these assets and liabilities.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS**1. Parent company**

<u>Name of parent company</u>	<u>Relation</u>	<u>Type of enterprise</u>	<u>Place of registration</u>	<u>Legal representative</u>	<u>Scope of business</u>	<u>Registered capital RMB</u>	<u>Percentage of shares %</u>	<u>Percentage of voting rights %</u>	<u>Incorporate Code</u>
Changyu Group Company	Parent Company	Limited Company	Yantai	Zhou Hongjiang	Manufacturing	50,000,000	50.4	50.4	265645824

During the year ended 31 December 2018, there is no change in parent company's registered capital, shares holding or voting power.

2. Subsidiaries: Please refer to Note VIII.**3. Other related parties**

<u>Name of related parties</u>	<u>Nature of related parties</u>	<u>Incorporate code</u>
Yantai Changyu Wine Culture Museum Co., Ltd. ("Wine Culture Museum")	Company controlled by the same parent	913706007582586548
Yantai Changyu International Window of the Wine City Co., Ltd. ("Window of the Wine City")	Company controlled by the same parent	91370600672208146X
Yantai ShenMa Packing Co., Ltd. ("ShenMa Packing")	Company controlled by the same parent	91370600553393350J
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd. ("Zhongya Pharmaceutical")	Company controlled by the same parent	91370600726203923M
Yantai Changyu Culture Tourism Production Sales Co., Ltd. ("Culture Sales")	Company controlled by the same parent	91370602MA3N7A877P
Yantai Changyu Culture Tourism Development Co., Ltd. ("Culture Development")	Company controlled by the same parent	91370602MA3N59J300

4. Significant related party transactions**(1) Purchases from and sales to related parties**Purchase from related parties

	<u>The content of related party transactions</u>	<u>2018 RMB</u>	<u>2017 RMB</u>
ShenMa Packing	product purchase	173,238,289	145,872,001
Zhongya Pharmaceutical	product purchase	15,690,930	9,279,380
Wine Culture Museum	product purchase	16,784,711	6,336,832
Window of the Wine City	product purchase	7,913,342	2,756,050
Culture Sales	product purchase	35,857	
		<u>213,663,129</u>	<u>164,244,263</u>

All related party transactions are based on the negotiated price.

In 2018, purchases from related parties accounted for 11.2% of the Group's total purchase (2016: 10.9%)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued

4. Significant related party transactions - continued

(1) Purchases from and sales to related parties- continued

Sales to related parties

	The content of related party transactions	<u>2018</u> RMB	<u>2017</u> RMB
Wine Culture Museum	goods sales	23,515,379	8,235,520
Window of the Wine City	goods sales	13,821,555	12,205,247
Zhongya Pharmaceutical	goods sales	4,552,269	2,035,003
Culture Sales	goods sales	2,914,686	-
ShenMa Packing	goods sales	348,247	1,634,883
		<u>45,152,136</u>	<u>24,110,653</u>

All related party transactions are based on the negotiated price. In 2018, sales to related parties accounted for less than 1% of the Group's total sales (2017: less than 1%).

(2) Property leased from a related party

The Group as Lessee

<u>2018</u>	<u>Assets leased</u>	<u>Beginning date</u>	<u>Ending date</u>	<u>Rental expense</u> RMB
Changyu Group Company	office building	1 January 2016	31 December 2020	1,538,840
Changyu Group Company	office building and factory	1 January 2017	31 December 2021	1,331,364
Changyu Group Company	office building and factory	1 January 2017	31 December 2021	3,994,091
				<u>6,864,295</u>

All related party transactions are based on the negotiated price.

The Group as Lessor

<u>2018</u>	<u>Assets leased</u>	<u>Beginning date</u>	<u>Ending date</u>	<u>Rental income</u> RMB
ShenMa Packing	office building and factory	1 July 2017	30 June 2022	1,478,982
Zhongya Pharmaceutical	office building and factory	1 January 2018	31 December 2018	518,182
				<u>1,997,164</u>

All related party transactions are based on the negotiated price.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued

4. Significant related party transactions - continued

(3) Other significant related party transactions

The content of related <u>party transactions</u>		<u>Note</u>	<u>2018</u> RMB	<u>2017</u> RMB
Changyu Group Company	Royalty fee	(a)	73,976,395	72,838,612
Changyu Group Company	Patents fee	(b)	<u>50,000</u>	<u>50,000</u>

All related party transactions are based on the negotiated price.

(a) Royalty fee

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Company may use certain trademarks of Changyu Group Company, which have been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Group's annual sales is payable to Changyu Group Company. The license is effective until the expiry of the registration of the trademarks.

During 2018, royalty fee paid to related company accounted for 100% of the Group (2017: 100%).

(b) Patents fee

The Company renewed the contract on 20 August 2016 for 10 years. The annual patents usage fee payable by the Company to Changyu Group Company remained RMB 50,000. For the year ended 31 December 2018, the patents usage fee payable to Changyu Group Company is amounted to RMB 50,000 (2017: RMB 50,000).

During 2018, patent fee paid to related company accounted for 100% of the Group (2017: 100%).

(4) Remuneration of the management

	<u>2018</u> RMB	<u>2017</u> RMB
Remuneration of the management	<u>13,102,005</u>	<u>10,309,409</u>

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued

5. Balance due from/to related parties

(1) Balance due from related parties

<u>Accounts receivable</u>	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Balance</u> RMB	<u>Provision</u> RMB
Zhongya Pharmaceutical	2,768,391	-	8,134,150	-
Shen Ma Packing.	17,137	-	1,342,348	-
Window of the Wine City	1,911,157	-	3,196,095	-
Wine Culture Museum	-	-	34,280	-
	<u>4,696,685</u>	<u>-</u>	<u>12,706,873</u>	<u>-</u>

<u>Other receivable</u>	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Balance</u> RMB	<u>Provision</u> RMB
Shen Ma Packing.	<u>813,440</u>	<u>-</u>	<u>813,440</u>	<u>-</u>

(2) Balance due to related parties

<u>Accounts payable</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Shen Ma Packing.	55,366,785	52,403,056
Zhongya Pharmaceutical	6,722,667	2,051,991
Wine Culture Museum	4,646,731	2,040,860
Window of the Wine City	4,789,600	1,485,766
	<u>71,525,783</u>	<u>57,981,673</u>
<u>Other payable</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Shen Ma Packing.	450,000	-
Changyu Group Company	78,414,978	77,208,929
	<u>78,864,978</u>	<u>77,208,929</u>

The above amounts due to related parties are unsecured and interest-free.

XI. COMMITMENT

1. Important commitments

(1) Capital commitments

	<u>31/12/2018</u> RMB'000	<u>31/12/2017</u> RMB'000
Capital commitment for purchasing non-current assets	<u>996,675</u>	<u>1,246,506</u>

(2) Operating lease commitment

As lessee

Significant operating lease: Total future minimal lease payments under non-cancelable contract with lessor are as follow:

	<u>31/12/2018</u> RMB'000	<u>31/12/2017</u> RMB'000
Within 1 year	20,576	32,236
1 to 2 years	11,757	19,116
2 to 3 years	10,064	11,943
3 years and above	84,095	95,342
	<u>126,492</u>	<u>158,637</u>

2. Contingent liability

The Group do not have any significant contingent liabilities as at balance sheet date.

XII. POST BALANCE SHEET DATE EVENT

1. Profit appropriation

According to the board of the director resolution raised on 18 April 2019, the Company proposed a cash dividend of RMB 6.0 (including taxes) for every 10 shares in respect of 2018 based on the issued shares of 685,464,000. The aggregate amount of cash dividend is RMB 411,278,400. The resolution is to be approved by the annual general meeting.

XIII. OTHER SIGNIFICANT EVENTSCapital management

The main target of the capital management of the group is to ensure the continuous operation of the group, optimize the portfolio structure of equity financing and debt financing, so as to achieve the goal of maximizing shareholder benefits. The capital structure of the group consists of the following parts:

- (1) Cash and cash equivalents
- (2) Share capital, capital reserve, surplus reserve and retained earnings

The management reviews the group's capital structure according to the interim or year-end financial reports and considers the cost of capital and the corresponding risks of various capital types. Based on the choice of the management, the group optimizes the overall capital structure by issuing additional shares and borrowing or repaying loans.

Segment report

The Group is principally engaged in the production and sales of wine, brandy, and champagne in China, France, Spain, Chile and Australia. In accordance with the Group's internal organization structure, management requirements and internal reporting system, the Group's operation is divided into four parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2018, more than 87% revenue and more than 99% profit derived from China, and more than 92% non-current assets are located in China. Therefore the Group does not need to disclose additional segment report information.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS

1. Cash and bank

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Cash	3,177	5,280
Bank balance	579,993,055	501,208,996
Other currency fund	44,592,577	57,960,190
Total	<u>624,588,809</u>	<u>559,174,466</u>

As at 31 December 2018, the balance of restricted cash of the Company is RMB 2,611,350 (31 December 2017: RMB 2,645,410), which is home maintenance funds.

As at 31 December 2018, other currency fund of the Company include: deposit of RMB 44,540,850 for letter of credit (31 December 2017: RMB 57,946,190) and deposit of RMB 51,727 for entity card (31 December 2017: RMB 14,000).

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

1. Cash and bank - continued

As at 31 December 2018, the Company's time deposits include the short-term deposits with original maturity from six months to twelve months amounting to RMB 45,000,000 (31 December 2017: RMB 5,000,000) with interest rate ranging from 1.55% to 2.03%.

2. Notes and account receivable

2.1 Presented by categories

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Notes receivable	39,885,254	41,645,203
Accounts receivable	1,447,973	7,805,333
Total	<u>41,333,227</u>	<u>49,450,536</u>

2.2 Notes receivable

(1) Categories of notes receivable

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Bank acceptances	<u>39,885,254</u>	<u>41,645,203</u>

(2) Pledged notes receivable

As of 31 December 2018, there was no pledged notes receivable (31 December 2017: Nil).

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

	<u>31/12/2018</u>	<u>31/12/2017</u>
	RMB	RMB
Bank acceptances	<u>94,755,124</u>	<u>72,316,589</u>

As at 31 December 2018, notes endorsed by the Company to other parties which are not yet due at the end of the period is RMB 94,755,124 (31 December 2017: RMB 72,316,589). It is for the payment to suppliers. The Company believes that due to bank good reputation, the risk of maturity cannot be cashed is very low, therefore confirm the termination of the endorsement notes receivable. If bank is unable to settle the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

(4) Notes receivable were reclassified as accounts receivable due to the default of drawer

2.3 Accounts receivable

(1) Disclosure of accounts receivable by categories:

The normal credit term of trade receivables is one month. The trade receivables are interest free.

The aging analysis is as follows:

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

As at 31 December 2018, there was no provision provided for trade receivables (31 December 2017: Nil). The Company did not provide, reverse or write off any provision during 2018 (31 December 2017: Nil).

(3) The balance of accounts receivable at the end of the year

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XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**3. Other receivables****3.1 Presented by categories**

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Interest receivable	254,088	76,646
Dividend receivables	500,000,000	407,495,922
Other receivables	525,389,268	592,274,075
Total	1,025,643,356	999,846,643

3.2 Dividend receivables

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Within 1 year				
Including: Sales Company	402,595,884	867,404,116	(770,000,000)	500,000,000
Wines Sales	-	30,000,000	(30,000,000)	-
Langfang Castel	-	785,986	(785,986)	-
Beijing Chateau	-	19,850,000	(19,850,000)	-
Shihezi Chateau	4,900,038	15,531,228	(20,431,266)	-
National Wines	-	20,000,000	(20,000,000)	-
Langfang sales	-	1,981,410	(1,981,410)	-
Atrio	-	2,080,191	(2,080,191)	-
Chile Indomita	-	-	-	-
Wine Group	-	6,495,728	(6,495,728)	-
Total	407,495,922	964,128,659	(871,624,581)	500,000,000

3.3 Other receivables**(1) Disclosure of other receivables by categories:**

	<u>31/12/2018</u>					<u>31/12/2017</u>				
	<u>Balance</u>		<u>Bad debts provisions</u>		<u>Carrying Amount</u>	<u>Balance</u>		<u>Bad debts provisions</u>		<u>Carrying Amount</u>
	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Proportion</u> (%)		<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB
Other receivables for which bad debt provision has been assessed individually	525,389,268	100.0	-	-	525,389,268	592,274,075	100.0	-	-	592,274,075

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**3. Other receivables - continued****3.3 Other receivables - continued****(1) Disclosure of other receivables by categories: - continued**

The aging analysis is as follows:

	31/12/2018				31/12/2017			
	<u>Balance</u>		<u>Bad debts provision</u>	<u>Carrying amount</u>	<u>Balance</u>		<u>Bad debts provision</u>	<u>Carrying amount</u>
	<u>Amount</u>	<u>Proportion</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Proportion</u>	<u>Amount</u>	<u>Amount</u>
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>RMB</u>
Within 1 year	491,483,881	93.5	-	491,483,881	589,011,103	99.5	-	589,011,103
1 to 2 years	33,897,084	6.5	-	33,897,084	3,006,488	0.5	-	3,006,488
2 to 3 years	8,303	-	-	8,303	53,794	-	-	53,794
Over 3 years	-	-	-	-	202,690	-	-	202,690
	<u>525,389,268</u>	<u>100.0</u>	<u>-</u>	<u>525,389,268</u>	<u>592,274,075</u>	<u>100.0</u>	<u>-</u>	<u>592,274,075</u>

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

No bad debt accrued or reversed in 2018 (2017:Nil.).

(3) Other receivables written off current year

No other receivables written in 2018 (2017:Nil.).

(4) Disclosure of other receivables by nature

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Receivable from subsidiary	523,579,831	589,897,407
Receivable deposit	12,500	2,500
Others	1,796,937	2,374,168
	<u>525,389,268</u>	<u>592,274,075</u>

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

As at 31 December 2018, the particulars of top five other receivables are as follows:

	<u>Nature</u>	<u>Amount</u> RMB	<u>Aging</u>	Proportion of total <u>prepayments</u> %
Sales Company	Internal balance	369,060,579	Within 1 year	70.2
R&D Centre	Internal balance	120,589,826	Within 1 year	23.0
Yantai Castel Chateau	Internal balance	12,404,563	Within 1 year	2.4
Pioneer International	Internal balance	10,704,391	Within 1 year	2.0
Ningxia Chateau	Internal balance	7,085,540	Within 1 year	1.3
		<u>519,844,899</u>		<u>98.9</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**4. Inventories**

	31/12/2018			31/12/2017		
	Balance RMB	Provision RMB	Net carrying amount RMB	Balance RMB	Provision RMB	Net carrying amount RMB
Raw material	1,200,528	-	1,200,528	1,841,216	-	1,841,216
Work in progress	358,230,774	-	358,230,774	307,104,357	-	307,104,357
Finished goods	25,723,438	-	25,723,438	39,096,480	-	39,096,480
	<u>385,154,740</u>	<u>-</u>	<u>385,154,740</u>	<u>348,042,053</u>	<u>-</u>	<u>348,042,053</u>

5. Long-term equity investments

2018	Cost RMB	31/12/2017 RMB	for the year RMB	31/12/2018 RMB	Share holding %	Voting power %	for the year RMB
Cost Method							
Xinjiang Tianzhu (a)	60,000,000	60,000,000	-	60,000,000	60	100	-
Kylin Packaging	23,176,063	23,176,063	-	23,176,063	100	100	-
Changyu Chateau (a)	28,968,100	28,968,100	-	28,968,100	70	100	-
Changyu Chateau (a)	3,500,000	3,500,000	-	3,500,000	70	100	-
Ningxia Growing	36,573,247	36,573,247	-	36,573,247	100	100	-
National Wines	2,000,000	2,000,000	-	2,000,000	100	100	20,000,000
Ice Chateau (a)	30,440,500	30,440,500	-	30,440,500	51	100	-
Beijing Chateau (a)	579,910,000	579,910,000	-	579,910,000	90	100	19,850,000
Sales Company	7,200,000	7,200,000	-	7,200,000	100	100	867,404,116
Langfang Sales (b)	100,000	100,000	-	100,000	10	100	1,981,410
Langfang Castel(a)	19,835,730	19,835,730	-	19,835,730	39	100	785,986
Wine Sales	4,500,000	4,500,000	-	4,500,000	100	100	30,000,000
Shanghai Sales(b)	300,000	300,000	-	300,000	30	100	-
Beijing Sales	850,000	850,000	-	850,000	100	100	-
Jingyang Sales (b)	100,000	100,000	-	100,000	10	100	-
Jingyang Wine (b)	900,000	900,000	-	900,000	90	100	-
Ningxia Wine	222,309,388	222,309,388	-	222,309,388	100	100	-
Ningxia Chateau	443,463,500	443,463,500	10,000,000	453,463,500	100	100	-
Dingluote Chateau (b)	212,039,586	212,039,586	-	212,039,586	65	100	-
Shihezi Chateau	809,019,770	809,019,770	3,000,000	812,019,770	100	100	15,531,228
Changan Chateau	803,892,258	803,892,258	-	803,892,258	100	100	-
R&D Centre (a)	500,000,000	500,000,000	2,788,906,445	3,288,906,445	72	100	-
Huanren Wine	21,700,000	21,700,000	500,000	22,200,000	100	100	-
Grape Wine Sales Co.,	5,000,000	-	-	-	-	100	-
Francs Champs	236,025,404	236,025,404	-	236,025,404	100	100	-
Atrio	190,150,544	190,150,544	-	190,150,544	75	75	2,080,191
IWCC	274,248,114	274,248,114	-	274,248,114	85	85	6,495,728
Australia Kilikanoon Estate	-	-	107,194,420	107,194,420	80	80	-
	<u>4,516,202,204</u>	<u>4,511,202,204</u>	<u>2,909,600,865</u>	<u>7,420,803,069</u>			<u>964,128,659</u>

- (a) The Company has 100% voting power of those subsidiaries by the way of indirect controlling, referring to Note VIII-1.
- (b) The Company has 100% voting power of these subsidiaries by the way of indirect controlling through wholly owned subsidiaries.

During 2018, there was no significant restriction on the remittance of fund from the investees to the Company.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**6. Fixed assets****(1) Fixed assets**

	<u>Buildings</u> RMB	<u>Machinery</u> RMB	<u>Motor vehicles</u> RMB	<u>Total</u> RMB
<u>Total original carrying amount</u>				
31/12/2017	265,340,049	475,569,634	10,129,313	751,038,996
Increase				
Purchase	-	9,345,433	-	9,345,433
CIP transfer	8,887,802	139,665	-	9,027,467
Decrease				
Disposal	-	(13,137,771)	(3,479,487)	(16,617,258)
Transfer to Investment property (VI-8)	(32,606,762)	-	-	(32,606,762)
31/12/2018	241,621,089	471,916,961	6,649,826	720,187,876
<u>Total accumulated depreciation</u>				
31/12/2017	111,607,494	346,413,532	4,867,069	462,888,095
Increase				
Additions	7,784,794	15,133,656	531,639	23,450,089
Decrease				
Disposal	(227,951)	(12,642,520)	(946,751)	(13,817,222)
Transfer to Investment property (VI-8)	(17,644,360)	-	-	(17,644,360)
31/12/2018	101,519,977	348,904,668	4,451,957	454,876,602
<u>Total net carrying amount</u>				
31/12/2018	140,101,112	123,012,293	2,197,869	265,311,274
31/12/2017	153,732,555	129,156,102	5,262,244	288,150,901

As at 31 December 2018, fixed assets with restricted ownership is RMB 34,246,887 (December 31, 2017: RMB 36,349,289), referring to Note VI-45 for details.

As at 31 December 2018, the Company has no fixed assets classified as held for sale (31 December 2017: RMB 2,000,197), and the Company has no temporary idle fixed assets and fixed assets under finance leases.

(2) Fixed assets through operating lease

	<u>Amount</u> RMB
Machinery	134,111

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**6. Fixed assets - continued****(3) Fixed assets of which certificates of title have not been obtained**

As at 31 December 2018, buildings without property certificate are as follows:

	<u>Amount</u> RMB	<u>Reasons why certificates of title have not been obtained</u>
Fermentation centre office, experiment building and workshop	<u>3,653,494</u>	Processing

7. Construction in progress**(1) Construction in progress**

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Reconstruction of boiler heating systems	-	3,556,349
Drainage project	-	3,200,000
Non-dry sticker labeling machine project	4,105,264	-
Others	2,206,437	-
	<u>6,311,701</u>	<u>6,756,349</u>

(2) Current year movement on important construction:

	Budget RMB	31/12/2017 RMB	Addition RMB	Transfer to PPE RMB	31/12/2018 RMB	Accumulated expenditure/ budget %	The progress of constructio n	Financed by
Reconstruction of boiler heating systems	13,000,000	3,556,349	-	(3,556,349)	-	100.0	100.0	Self-raised
Non-dry sticker labeling machine project	6,920,000	<u>-</u>	<u>5,431,516</u>	<u>(1,326,252)</u>	<u>4,105,264</u>	78.5	78.5	Self-raised

There was no interest capitalized in construction in progress in 2018.

(3) As at 31 December 2018, there was no provision was made for the construction in process, and no provision was made (31 December 2017:Nil).

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**8 Bearer biological assets**

Bearer biological assets are grape trees, which measured in cost method.

	<u>Immature biological assets</u> RMB	<u>Mature biological assets</u> RMB	<u>Total</u> RMB
<u>Total original carrying amount</u>			
31/12/2017	6,306,963	130,929,124	137,236,087
Increase			
Cultivated increase	12,930,423	-	12,930,423
Transfer to mature assets from immature assets	(9,802,191)	9,802,191	-
31/12/2018	9,435,195	140,731,315	150,166,510
<u>Total accumulated depreciation</u>			
31/12/2017	-	17,663,548	17,663,548
Increase			
Additions	-	7,500,169	7,500,169
31/12/2018	-	25,163,717	25,163,717
<u>Total net carrying amount</u>			
31/12/2018	9,435,195	115,567,598	125,002,793
31/12/2017	6,306,963	113,265,576	119,572,539

As at 31 December 2018, there is no biological asset with ownership restricted (31 December 2017: Nil).

As at 31 December 2018, there is no indication that biological assets may be impaired, and no provision was made. (31 December 2017: Nil).

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**9. Intangible assets**

Intangible assets

	<u>Land use right</u> RMB
<u>Total original carrying amount</u> 31/12/2017 and 31/12/2018	96,594,766
<u>Total accumulated depreciation</u> 31/12/2017	26,971,547
Increase Additions	2,379,153
31/12/2018	29,350,700
<u>Total net carrying amount</u> 31/12/2018	67,244,066
31/12/2017	69,623,219

As at 31 December 2018, Intangible assets with restricted ownership are RMB 50,902,950 (December 31, 2017: RMB 52,720,912), Please refer to Note VI-45 in detail.

10. Deferred tax assets

Recognised deferred tax assets not presented at the net amount after offset

<u>Item</u>	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Deductible</u> <u>temporary difference</u> RMB	<u>Deferred</u> <u>tax assets</u> RMB	<u>Deductible</u> <u>temporary difference</u> RMB	<u>Deferred</u> <u>tax assets</u> RMB
Unrealized profit from intra - company transactions	5,897,436	1,474,359	7,163,828	1,790,957
Unpaid bonus	37,973,000	9,493,249	35,822,735	8,955,683
Retirement benefit	10,143,950	2,535,988	10,057,113	2,514,278
Deductible losses	30,421,511	7,605,378	45,526,327	11,381,582
Deferred income	12,343,972	3,085,993	16,581,627	4,145,407
	<u>96,779,869</u>	<u>24,194,967</u>	<u>115,151,630</u>	<u>28,787,907</u>

11. Other non-current assets

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Receivables from subsidiaries	<u>972,700,000</u>	<u>3,718,674,166</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**12. Short-term borrowings**

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Credit loans	<u>150,000,000</u>	<u>600,000,000</u>

As at 31 December 2018, credit loans detail are as follows:

<u>Loan bank</u>	<u>Loans amount</u> RMB	<u>Loan term</u>	<u>Interest rate in contract</u> %	<u>Interest rate</u> %
ICBC Yantai branch	<u>150,000,000</u>	24 May 2018 – 24 May 2019	Annual benchmark rate	4.35

13. Notes and accounts payable

The aging analysis of accounts payable are as follows

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Within 1 year	132,664,195	97,036,146
1 to 2 years	-	556,883
2 to 3 years	395	240,095
Over 3 years	39,714	-
	<u>132,704,304</u>	<u>97,833,124</u>

14. Employee benefits payable**(1) Employee benefits payable**

	<u>31/12/2017</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2018</u> RMB
Short-term salaries and welfare	60,050,963	97,491,895	(95,341,628)	62,201,230
Post-demission benefits				
- predetermined provision plan	-	6,785,401	(6,785,401)	-
Termination benefit	10,057,113	5,216,248	(5,129,412)	10,143,949
	<u>70,108,076</u>	<u>109,493,544</u>	<u>(107,256,441)</u>	<u>72,345,179</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**14. Employee benefits payable - continued****(2) Short-term salaries and welfare**

	<u>31/12/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>31/12/2018</u>
	RMB	RMB	RMB	RMB
Salaries and bonus	60,694,620	83,892,951	(81,609,810)	62,977,761
Staff benefit	37,173	6,191,811	(6,191,811)	37,173
Staff welfare	-	4,004,223	(4,004,223)	-
Includes:				
Medical insurance	-	3,476,931	(3,476,931)	-
Injury insurance	-	289,904	(289,904)	-
Maternity insurance	-	237,388	(237,388)	-
Housing fund	-	3,005,993	(3,005,993)	-
Union fee and education fee	1,896,872	529,790	(529,791)	1,896,871
Total	<u>62,628,665</u>	<u>97,624,768</u>	<u>(95,341,628)</u>	<u>64,911,805</u>
Less: Non-current liabilities	<u>2,577,702</u>			<u>2,710,575</u>
Short-term salaries and welfare	<u><u>60,050,963</u></u>			<u><u>62,201,230</u></u>

(3) Predetermined provision plan

	<u>31/12/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>31/12/2018</u>
	RMB	RMB	RMB	RMB
Pension	-	6,534,445	(6,534,445)	-
Unemployment insurance	-	250,956	(250,956)	-
	<u>-</u>	<u>6,785,401</u>	<u>(6,785,401)</u>	<u>-</u>

The Company participates in pension insurance and unemployment insurance plans established by government institution. According to those plans, the Company pays pension and unemployment insurance each month on the basis of 18% and 0.7% last period salary respectively. Apart from these monthly expenses, the Company does not bear any further payment obligation. This year the Company should pay RMB 6,534,445 and RMB 250,956 (2017: RMB 8,595,215 and RMB 323,852) respectively into pension insurance and unemployment insurance. As at 31 December 2018, the Company does not have unpaid pension and unemployment insurance (31 December 2017: Nil) which is due to the pension insurance and unemployment insurance plan and not paid at the end of the reporting period.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

15. Taxes payable

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Value added tax	1,686,599	-
Consumption tax	3,902,791	6,450,962
Corporation income tax	-	26,069
Urban land use tax	685,626	784,627
Individual income tax	6,316,001	6,630,393
City construction tax	36,314	345,138
Property tax	243,814	82,669
Others	240,286	249,832
	<u>13,111,431</u>	<u>14,569,690</u>

16. Other payables

16.1 Presented by categories

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Interest payable	181,250	652,500
Other payables	607,793,269	544,713,172
	<u>607,974,519</u>	<u>545,365,672</u>

16.2 Other payables

(1) Natures of other payables are as follows

	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Payable to subsidiaries	585,044,038	534,530,323
Payables for equipment and construction	10,554,451	8,538,687
Deposits from suppliers	5,982,500	183,000
Others	6,212,280	1,461,162
	<u>607,793,269</u>	<u>544,713,172</u>

(2) As at 31 December 2018, there were no significant outstanding balance aged over than one year.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

17. Capital reserve

<u>2018</u>	<u>31/12/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>31/12/2018</u>
	RMB	RMB	RMB	RMB
Share premium	<u>557,222,454</u>	<u>-</u>	<u>-</u>	<u>557,222,454</u>

18. Operating income and costs

Operating income is analysed as follows:

	<u>2018</u>	<u>2017</u>
	RMB	RMB
Principal operating income	874,292,088	1,310,443,414
Other operating income	<u>2,154,982</u>	<u>813,440</u>
	<u>876,447,070</u>	<u>1,311,256,854</u>

Operating cost is analysed as follows:

	<u>2018</u>	<u>2017</u>
	RMB	RMB
Principal operating cost	772,497,769	1,165,362,798
Other operating cost	<u>1,989,262</u>	<u>590,610</u>
	<u>774,487,031</u>	<u>1,165,953,408</u>

19. Taxes and surcharges

	<u>2018</u>	<u>2017</u>
	RMB	RMB
Consumption tax	27,262,209	53,236,697
City construction tax	3,214,543	10,190,867
Education fee and surcharges	2,159,612	5,817,116
Property tax	1,854,486	2,267,901
Land use tax	3,168,559	3,168,559
Stamp tax	310,835	603,461
Others	<u>376,517</u>	<u>1,285,624</u>
	<u>38,346,761</u>	<u>76,570,225</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**20. General and administrative expense**

	<u>2018</u> RMB	<u>2017</u> RMB
Salary and employee benefit	55,580,888	38,430,904
Maintenance fee	8,396,432	6,192,525
Office fee	3,641,210	3,881,091
Service fee	3,495,328	9,194,005
Depreciation	3,375,180	4,286,164
Property insurance fees	2,961,742	3,080,521
Leasing expenses	2,790,358	2,276,896
Amortization	2,379,153	2,695,110
Shuttle bus	1,442,340	1,719,660
Security and sanitation fee	763,792	941,434
Travelling expenses	324,566	527,464
Greening fee amortization	312,080	394,604
Others	5,042,139	5,498,757
	<u>90,505,208</u>	<u>79,119,135</u>

21. Financial Expense

	<u>2018</u> RMB	<u>2017</u> RMB
Interest income	(41,821,372)	(18,602,199)
Exchange loss	4,443,175	1,040,832
Interest expenses	16,075,353	17,414,181
Bank charges	1,010,107	784,754
	<u>(20,292,737)</u>	<u>637,568</u>

22. Investment income

	<u>2018</u> RMB	<u>2017</u> RMB
Long-term equity investment income accounted for by using the cost method	<u>964,128,659</u>	<u>798,877,905</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**22. Investment income - continued**

Among the long-term equity investment income accounted for by using cost method, the investees with investment income accounting for more than 5% of the Company's total profit before tax are as follows:

<u>Investees</u>	<u>2018</u> RMB	<u>2017</u> RMB
Sales Company	867,404,116	577,813,022
Beijing Chateau	-	87,000,000
Wine Sales	-	53,461,029
Xinjiang Tianzhu	-	48,620,373
	<u>867,404,116</u>	<u>766,894,424</u>

As at 31 December 2018 and at 31 December 2017, there are no significant restriction on the remittance of investment income to the Company.

23. Supplement to cash flow statement

	<u>2018</u> RMB	<u>2017</u> RMB
(1) Cash flows from operating activities calculated by adjusting the net profit:		
Net profit	969,588,573	793,598,010
Add: Depreciation of investment properties	1,857,902	590,610
Depreciation of fixed assets	23,450,089	32,201,177
Amortization of intangible assets	2,379,153	2,379,153
Depreciation of biological assets	7,500,169	6,781,447
(Gains)Losses on disposal of assets	(12,411,962)	29,625
Finance expenses	17,808,569	18,614,396
Investment income	(964,128,659)	(798,877,905)
Decrease/(increase) in deferred tax assets	4,592,940	(1,802,655)
Increase / (decrease) in inventories	(37,112,687)	444,690,365
Decrease in trade receivables	37,072,169	103,406,898
Increase / (decrease) in trade payables	92,609,575	(3,541,352)
Net cash flows from operating activities	<u>143,205,831</u>	<u>598,069,769</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

23. Supplement to cash flow statement - continued

(2) Significant investing and financing activities not involving cash receipts and payments

	<u>2018</u> RMB	<u>2017</u> RMB
Change the claim on subsidiaries into Long-term equity investments	2,802,406,445	2,386,907,749
Increase the investment in subsidiaries with bank acceptances	-	96,345,678
Recover the investment in subsidiaries with bank acceptances	-	(96,345,678)
	<u>2,802,406,445</u>	<u>2,386,907,749</u>

24. Cash and cash equivalents

	<u>2018</u> RMB	<u>2017</u> RMB
Closing balance of Cash and bank	624,588,809	559,174,466
Less:		
Restricted bank deposits	2,611,350	2,645,410
Restricted other monetary assets	44,592,577	57,960,190
Deposit with a period of over three months	45,000,000	5,000,000
Closing balance of cash and cash equivalents	<u>532,384,882</u>	<u>493,568,866</u>

	<u>2018</u> RMB	<u>2017</u> RMB
Cash and bank	532,384,882	493,568,866
Including: Cash and bank	3,177	5,280
Bank deposits on demand	532,381,705	493,563,586
Closing balance of cash and cash equivalents	<u>532,384,882</u>	<u>493,568,866</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

25. Related party transactions

(1) Purchase of materials

	<u>2018</u> RMB	<u>2017</u> RMB
Subsidiaries	209,808,816	352,495,622
Other related parties	88,897,126	82,394,392
	<u>298,705,942</u>	<u>434,890,014</u>

(2) Sales of goods

	<u>2018</u> RMB	<u>2017</u> RMB
Subsidiaries	867,995,960	1,302,056,254
Other related parties	8,451,110	9,200,600
	<u>876,447,070</u>	<u>1,311,256,854</u>

(3) Sales of Fixed assets

	<u>2018</u> RMB	<u>2017</u> RMB
Subsidiaries	134,445	47,843,203
Other related parties	-	3,934,643
	<u>134,445</u>	<u>51,777,846</u>

(4) Interest income from occupation of funds

	<u>2018</u> RMB	<u>2017</u> RMB
Subsidiaries	<u>35,823,556</u>	<u>14,912,649</u>

(5) Lease income

	<u>2018</u> RMB	<u>2017</u> RMB
Subsidiaries	<u>1,997,164</u>	<u>739,491</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**25. Related party transactions - continued****(6) Guarantees**

<u>Guaranteed party</u>	<u>Currency</u>	<u>Amount</u>	<u>Beginning date</u>	<u>Due date</u>	<u>Whether guarantees are fulfilled completely</u>
R&D Center	RMB	500,000,000	8 March 2017	8 March 2022	No
Australian Kilikanoon Estate	AUD	17,000,000	13 December 2018	13 December 2023	No

26. Receivables and payables to related parties**(1) Trade receivables**

<u>Trade receivables</u>	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Balance</u>	<u>Bad debts provision</u>	<u>Balance</u>	<u>Bad debts provision</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Other related parties	<u>1,447,973</u>	<u>-</u>	<u>7,805,333</u>	<u>-</u>
<u>Other receivables</u>	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Balance</u>	<u>Bad debts provision</u>	<u>Balance</u>	<u>Bad debts provision</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Subsidiaries	523,579,831	-	589,897,407	-
Other related parties	813,440	-	813,440	-
	<u>524,393,271</u>	<u>-</u>	<u>590,710,847</u>	<u>-</u>
<u>Other non-current assets</u>	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>Balance</u>	<u>Bad debts provision</u>	<u>Balance</u>	<u>Bad debts provision</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Subsidiaries	<u>972,700,000</u>	<u>-</u>	<u>3,718,674,166</u>	<u>-</u>

The above receivables due from related parties are unsecured, have no interest or fixed date of repayment.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

26. Receivables and payables to related parties - continued

(2) Trade payables

<u>Trade payables</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Other related parties	28,892,583	29,145,914
<u>Other payables</u>	<u>31/12/2018</u> RMB	<u>31/12/2017</u> RMB
Subsidiaries	585,044,038	534,530,323
Other related parties	450,000	-
	<u>585,494,038</u>	<u>534,530,323</u>

The above payables due to related parties are unsecured, have no interest or fixed date of repayment.

APPENDIX I SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

I. DETAILS OF EXTRAORDINARY PROFIT AND LOSS

	2018 RMB
Corporate income tax effect	11,368,355
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the Group's operation and have proper basis of calculation)	87,281,434
Other non-operating income and expense	3,817,401
Corporate income tax effect	(25,157,188)
The impact of non-controlling interests' equity	(103,311)
	<hr/> 77,206,691 <hr/>

The Company's extraordinary profit and loss items are recognized in accordance with the regulations of the "public offering of securities of the Company Disclosure Explanatory Notice No. 1 - non-recurring profit and losses" (SFC [2008] No. 43).

II. RETRUN ON EQUITY ("ROE") AND EARNINGS PER SHARE ("EPS")

The Company's ROE and EPS are calculated in accordance with the CSRC regulations of the "Information Preparing and Disclosure Rules of Public Company No. 9 - calculation and disclosure of ROE and EPS" (Revised 2010).

<u>2018</u>	Weighted average <u>ROE</u> %	<u>Basic EPS</u> RMB
Net profit attributable to shareholders of the Company	11.23	1.52
Net profit attributable to shareholders of the Company deducting extraordinary profit and loss	10.40	1.41
	<hr/>	<hr/>

The Company did not have any potential dilutive shares.

<u>2017</u>	Weighted average <u>ROE</u> %	<u>Basic EPS</u> RMB
Net profit attributable to shareholders of the Company	12.14	1.51
Net profit attributable to shareholders of the Company deducting extraordinary profit and loss	11.60	1.44
	——	——
	——	——

The Company did not have any potential dilutive shares.

XII. Reference Documents

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

Yantai Changyu Pioneer Wine Co. Ltd.

Board of Directors

April 20th, 2019