



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

## **2019 Semi-annual Report**

**Final 2019-03**

**August, 2019**

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## I. Important Notice, Contents 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 semi-annual report with no false records, misleading statements or significant omissions, and undertake individual and joint legal liabilities.

Mr. Zhou Hongjiang (Person in charge of the Company) and Mr. Jiang Jianxun (Person in charge of accounting work as well as Person in charge of accounting organ & account in charge) assure the truthfulness, accuracy and completeness of the financial report in the semi-annual report.

No directors, supervisors or senior executives issue a statement of objection to 2019 semi-annual report.

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

Name of director not attending the meeting personally	Position of director not attending the meeting personally	Reason of not attending the meeting personally	Name of entrustee
Duan Changqing	Independent director	On a business trip	Wang Zhuquan

Regarding major risks that the Company may face during the production and management process, please refer to “10. Risks faced with by the Company and response measures” in “TV Management Discussion and Analysis” in this report. Investors are suggested to read carefully and pay attention to investment risks.

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

## Definition

Definition Item	Refers to	Definition Content
Company/this 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

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

### 2. Contact person and information

	Secretary of Board of Directors	Authorized Representative of the Securities Affairs
Name	Mr. Jiang Jianxun	Mr. Li Tingguo
Address	56 Dama Road, Yantai, Shandong, China	56 Dama Road, Yantai, Shandong, China
Tel	0086-535-6602761	0086-535-6633656
Fax	0086-535-6633639	0086-535-6633639
E-mail	jiangjianxun@changyu.com.cn	stock@changyu.com.cn

### 3. Other information

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

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

Available  Not available

There is no change in the Company's office address, post code, website and e-mail address during the report period. For detailed information, please refer to 2018 annual report.

#### 2) Information disclosure and file location

Whether there is any change in the information disclosure and file location during the report period.

Available  Not available

There is no change in the name of newspapers in which the Company's information is disclosed, the website assigned by CSRC to carry the semi-annual report and the location of the Company's

semi-annual report during the report period. For detailed information, please refer to 2018 annual report.

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

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

Yes  No

	During the report period	In the same period of last year	More or less than last year (%)
Business revenue (CNY)	2,558,274,785	2,828,230,064	-9.55%
Net profit attributed to the shareholders of the listed company (CNY)	603,403,789	635,837,405	-5.10%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	552,490,695	606,678,719	-8.93%
Net cash flows from the operating activities (CNY)	499,476,006	552,753,472	-9.64%
Basic earnings per share (CNY/share)	0.88	0.93	-5.38%
Diluted earnings per share (CNY/share)	0.88	0.93	-5.38%
Weighted average for earning rate of the net assets	6.13%	6.89%	-0.76%
	The end of this report period	The end of last year	More or less than last year (%)
Total assets (CNY)	13,383,093,433	13,117,729,052	2.02%
Net Assets attributed to the shareholders of the listed company (CNY)	9,791,885,091	9,606,099,365	1.93%

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

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

Available  Not available

Unit: CNY

	Net profit attributed to the shareholders of the listed company		Net Assets attributed to the shareholders of the listed company	
	Current period	Last period	End of period	Beginning of period
According to PRC accounting standards	603,403,789	635,837,405	9,791,885,091	9,606,099,365
Item and amount adjusted according to international accounting standards				
According to international accounting standards	603,403,789	635,837,405	9,791,885,091	9,606,099,365

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

Available  Not available

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

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

Available  Not available

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

Available  Not available

Unit: CNY

	Amount	Explanation
Profit and loss on disposal of non-current assets (including the offset of provision for impairment of assets)	1,138	
Government grants credited in current profit and loss (except for government grants that are closely related to the entity's business and are enjoyed with a quota or with a limited quantity in accordance with national uniform standard)	64,211,892	
Other non-operating income and expenditure besides above-mentioned items	3,411,864	
Less: Amount affected by income tax	16,671,778	
Amount affected by minority equity (after tax)	40,022	
Total	50,913,094	-

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

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

Available     Not available

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



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

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

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

During the report period, the Company's main business is to produce and operate wine and brandy, thus providing the domestic and foreign consumers with healthy and fashionable alcoholic drinks. Compared with earlier stage, there are no major changes in the Company's main businesses. Although there is a certain fluctuation and exists downward pressure in the domestic wine market at present in short term, seen in the long term, the Chinese wine industry is generally in the growth stage and still remain the rising trend. The Company takes the dominant position in the domestic wine market.

#### 2. Major changes of main assets

##### 1) Major changes of main assets

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

##### 2) Main overseas assets condition

Available     Not available

Details of assets	Formation reason	Assets scale	Location	Operating mode	Control measures for safeguarding asset security	Earning position	Proportion of overseas assets in the Company's net assets	Whether there are major impairment risks
Hacienda Y Vinedos Marques Del Atrio, SL	Acquisition of equity	500,554,860	Spain	Independent operation	This Company participates in making important decisions through board of directors and appoints CFO for financial management	1,859,381	4.97%	No
Indomita Wine Company Chile, SpA	Establishment by joint venture	505,803,310	Chile	Independent operation	This Company participates in making important decisions through board of directors and appoints CFO for financial management	3,762,504	5.02%	No
Francs Champs Participations SAS	Establishment by sole proprietorship	229,246,260	France	Independent operation	This Company directly appoints senior executive to conduct operation and management	36,704	2.28%	No
Kilikanoon Estate Pty Ltd	Acquisition of equity	147,071,845	Australia	Independent operation	This Company participates in making important decisions through board of directors	-1,509,147	1.46%	No
Other condition explanation	During the report period, Kilikanoon Estate Pty Ltd realized the net profit of CNY550thousand for its own production and management, but after conducting the amortization of premium at the time of acquisition in accordance with accounting policy, the loss was CNY1.5million.							

### 3. Analysis of core competitiveness

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

No.

In the competition pattern of Chinese wine industry, compared with other participants in the industry, we believe that the Company has following advantages:

Firstly, the Company has a well-known wine brand with more than 120 years of history, “Changyu”, “Noble Dragon” and “AFIP” are Chinese famous trademarks that have strong influence and good reputation.

Secondly, the Company has set up a nationwide marketing network. The Company forms a “three-level” marketing network system mainly composed of two teams containing the Company’s marketing personnel and distributors, possessing a strong marketing ability and market exploitation ability.

Thirdly, the Company owns strong scientific prowess and a product R&D system. Relying on the sole “National-level Wine R&D Center”, the Company grasps advanced winemaking technology and production processes and has fairly strong product innovation capacity and perfect quality control system.

Fourthly, the Company is in possession of grape bases that could meet the requirements of development. The scale and the structure of grape bases locating in regions that are the most suitable for growing wine-making grapes in China, such as Shandong, Ningxia, Xinjiang, Liaoning, Hebei and Shaanxi, have basically met the Company’s demands for development.

Fifthly, the Company has a complete high-end, medium-end and low-end products as well as varieties and categories. More than 100 varieties of wine, brandy, sparkling wine etc., covering high-end, medium-end and low-end grades, can meet the needs of different consumer groups. After more than 10 years of rapid development, the Company has occupied the leading position in the domestic wine industry, which has certain comparative advantages in the future competition.

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

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

Eighthly, the Company has basically completed the layout of global production capacity. The Company has completed the production capacity layout in the worldwide main wine-producing countries, such as China, France, Chile, Spain and Australia and so on, and can make better use of global high-quality raw material resources, capital, talents and advanced production techniques and technologies to provide consumers with diversified high quality products.

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

## IV. Management Discussion and Analysis

### 1. Summarization

During the report period, influenced by the slowdown of domestic economic growth, the overall demand of domestic wine industry was relatively weak. Both domestic and imported wine had experienced decline at varying degrees in sales volume and sales revenue. The competition in domestic wine market, especially for middle-and-low-level wines, was very fierce. Due to continuously influences such as increase in the prices of raw materials and packaging materials, depreciation of fixed assets and increase in freight and labor costs, the Company's profitability was under greater pressure. Facing quite a lot of unfavorable factors, 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" (the strategy of "Three Focuses") without wavering, continued intensifying internal reform, further optimized product structure and market layout. Through product innovation, management innovation and marketing innovation, the Company strived to promote product sales and achieved certain effects under the background of the market that both domestic wine and imported wine show a large decrease wholly in China market, realizing the business income of CNY2558.27million in the first half year with a decrease of 9.55% compared with last year and the net profit attributable to the parent company's shareholders of CNY603.4million in the first half year with a decrease of 5.1% compared with last year.

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

Firstly, the Company's Board of Directors, Board of Supervisors and senior executives were successfully re-elected, injecting new forces, optimizing staff structure, enhancing the management level and decision-making ability of the management team and providing a reliable organizational guarantee for the Company's sustainable and healthy development in the future.

Secondly, the "Three Focuses" strategy was steadily advanced and initial results were achieved. During the report period, among the three core business segments of domestic wine, brandy and imported wine, the Company concentrated its main resources to focus on the three domestic wine brands such as MOSER, Noble Dragon and ZENITHWIRL; the two brandy brands "KOYA" and "Changyu Superior Five-star Special Fine Brandy" and the two imported wine brands Kilikanoon and INDOMITA achieved good results, which slowed down the Company's wine decline and achieved a small increase in brandy sales revenue.

Thirdly, the organization structure of sales system was basically completed in terms of adjustment and optimization. The transformation from management dealers to serving dealers was actively promoted and the construction of "Fund pool" with dealers was energetically developed. During the report period, the Company eliminated, adjusted, rotated and supplemented some of the provincial and municipal sales personnel, further rationalized the sales management system and enhanced the fighting capacity of the sales team. The authorized operation was deeply advanced, which further mobilized the enthusiasm and initiative of sales personnel. Besides, the Company improved the performance appraisal mode and work focus, which promoted sales personnel to be closer to the market and clients and better served terminals and consumers. Moreover, the construction of sales team and "Fund pool" with dealers was intensified, which alleviated the contradiction of insufficient market input.

Fourthly, the Company actively coordinated controlling shareholders and other relevant parties.

After repeated communication and full argumentation, the Company re-determined the proportion of trademark use fee of "张裕"(Changyu) and other trademarks, revised and improved *Trademark License Contract* and eliminated defects in the contract. In addition, the Company cooperated closely with the controlling shareholders and was freely transferred part of trademarks and patents from the controlling shareholders, which better guaranteed the integrity of the Company's assets and reduced related transactions.

Fifthly, the Company optimized the layout of raw material bases, strengthened quality management, strived to reduce raw material costs and improved product quality. During the report period, the Company carried out an overall planning for domestic and foreign raw material supply bases and laid out medium and long-term raw material bases in Australia, Chile and France. In addition, the Company increased a large number of high-quality raw material bases in Xinjiang, Ningxia and Yantai, strengthened the assessments of basic management, profit and key work to the raw material bases, and use internal self-examination, random sampling, third-party inspection, flight inspection and other means to strengthen product quality monitoring and control. Moreover, the Company re-approved supplier list, eliminated unqualified suppliers and continuously improved the quality of raw material and packaging. As these measures become effective, the product quality and reduce raw material costs will be fundamentally improved.

Sixthly, it was to strengthen financial management and audit supervision, strive to reduce capital costs and operational risks, and improve the Company's operational efficiency. During the report period, after repeated communication and negotiation, the Company further reduced the bank loan interest rate and financing cost. In addition, the Company used the SAP system to monitor and allocate cash flow in real time, strictly implemented two-line management of financial revenues and expenditures and paid use system of funds, which accelerated capital turnover, improved funds use efficiency and reduced funds occupation. Moreover, the Company intensified the audit work of key areas such as the authenticity of financial revenues and expenditures, channel inventory, unsalable products, advertising fees and economic responsibility of outgoing personnel, and timely investigated and punished illegal acts, which effectively prevented significant operational risks.

Seventhly, scientific dispatch, carefully organization and close cooperation guaranteed the good quality and smooth progress of investment projects. During the report period, all projects under construction of the Company progressed as planned and the project quality was excellent.

Eighthly, it was to continue implementing the internationalization strategy and actively carry out joint venture and cooperation with strong foreign peers. During the report period, in order to reduce operating costs of a single winery and play a synergistic effect, the Company used its wholly-owned subsidiary in France Francs Champs Participations SAS to establish a joint venture company L&M HOLDINGS together with Advini SA's subsidiary SC Garri du Gai in France, promoting the management and operation level of the French wine business segment.

In order to achieve the business objectives set by the Company at the beginning of the year, the Company will focus on the following work in the second half of 2019:

Firstly, the current market situation has determined that the Company must unswervingly promote the development strategy of "Three Focus". The Company will continue classifying products, compressing the number of products, centralizing superior resources and focusing on market exploration and marketing work.

Secondly, considering that the main contradiction for future development lies in the market, the

Company will continue focusing on the construction of two teams of backbone distributors and full-time sales personnel and further establish and improve the sales system to extend market coverage. The Company will also make deep penetration into key markets and strive to achieve breakthrough. In addition, the marketing innovation will be strengthened and the communications media will be optimized in order to improve the marketing level. A systematic brand manager system will also be established and a full-time marketing team will be set up for providing systemic marketing solutions to boost brands by virtue of the top outsourcing companies in the industry. The Company will take full advantage and integrate online advantageous platform and explore the digital marketing mode in line with Changyu to provide consumers with a more perfect consumer experience and enhance user stickiness.

Thirdly, continuous improvement in product quality is the most fundamental thing to win the market competition. While strictly implementing various quality management measures, the Company will establish a systematic brand winemaker system, give full play to the main responsibility of winemakers at all levels and propose clear requirements of salary, appointment, selection, promotion and exit for winemakers at different levels in order to stimulate winemakers' enthusiasm and sense of responsibility and promote the significant improvement in product quality.

Fourthly, the establishment of a talent team that is compatible with the Company's development to the core to achieve sustained and rapid development. The Company will focus on cultivating 60 high-level provincial general managers and 600 outstanding city managers comprehensively optimize talent echelon and strive to make up the weakness in talents. Moreover, the Company will further optimize performance appraisal methods, establish and improve various flexible and efficient incentive mechanisms with the combination of long-term mechanism and short-term mechanism as well as complementary advantages, and further stimulate the Company's vitality to enhance the attraction and centripetal force to the outstanding talents.

Fifthly, the Company will reasonably arrange the production schedule, do well the connection between production and sales, make full use of sales peak season including Mid-Autumn Festival, National Day and Spring Festival, increase marketing efforts and promote product sales, providing important guarantee for achieving annual sales targets.

Sixthly, the Company will scientifically make procurement plan for raw materials such as grapes, rationally arrange procurement progress and fully complete the procurement work of grape raw material, providing core raw materials with sufficient quantity, complete varieties, high quality and low price for future development.

In short, we preliminarily judge that in the second half of this year, with the cumulative effects of various reform measures in the past year starting to appear, although the downward pressure on the domestic wine market is increasing, the sales situation of our company may actually gradually go out of the trough, and revenue may also begin to enter the growth track. The Company will strive to complete the established revenue target of not lower than CNY5.3 billion at the beginning of the year. In addition, affected by the double favorable factors of the national cutting taxes and fees policies and the controlling shareholder's offset of trademark use fee, the Company's profit level may be improved compared with the same period of last year.

## 2. Analysis of main business

Please refer to “1. Summarization” in “Management Discussion and Analysis”.

Change in major financial data on year-on-year basis

Unit: CNY

	In the report period	In the same period of last year	More or less (%)	Reason for changes
Operating revenue	2,558,274,785	2,828,230,064	-9.55%	Mainly owing to the year-on-year decrease in sales volume
Operating costs	936,252,225	974,557,292	-3.93%	Mainly owing to the year-on-year increase in the price of grape material
Sales expenses	591,970,801	710,659,033	-16.70%	Mainly owing to the year-on-year decrease in marketing expense and trademark use fee
Administration expense	155,552,312	157,964,882	-1.53%	No major change
Financial expense	8,789,583	13,085,942	-32.83%	Mainly owing to the year-on-year decrease in interest expenditure
Income tax expense	210,281,578	211,979,735	-0.80%	No major change
Research & Development Investment	2,706,811	2,127,006	27.26%	Mainly owing to the increased investment in scientific research
Net cash flow from operating activities	499,476,006	552,753,472	-9.64%	Mainly owing to the decrease in received cash from selling products and providing labor service
Net cash flow from investment activities	-114,534,608	-291,217,548	60.67%	Mainly owing to the decrease in the cash paid for purchasing fixed term deposit and the net cash paid by subsidiaries and other business units
Net cash flow from financing activities	-18,128,357	-6,350,537	-185.46%	Mainly owing to the year-on-year decrease in received fixed term deposit used for pledge of long-term loan

Net increased amount of cash and cash equivalents	366,866,743	247,781,188	48.06%	Mainly owing to the year-on-year decrease in the cash outflow of investment activities
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Whether there is any major change for the Company's profit structure or profit source during the report period

Available  Not available

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

### Structure of main businesses

Unit: CNY

Item	Operating revenue	Operating cost	Gross profit rate (%)	Increase or decrease of operating revenue over the same period of last year (%)	Increase or decrease of operating cost over the same period of last year (%)	Increase or decrease of gross profit rate over the same period of last year
By Sector						
Manufacturing of liquor and alcoholic beverages	2,558,274,785	936,252,225	63.40%	-9.55%	-3.93%	-2.14%
By Product						
Wine	1,928,554,268	680,125,496	64.73%	-13.01%	-9.65%	-1.31%



Brandy	563,451,068	229,703,175	59.23%	3.33%	18.50%	-5.22%
Tourism	42,604,382	12,307,699	71.11%	-7.44%	-12.47%	1.66%
Other	23,665,067	14,115,855	40.35%	19.01%	1.95%	9.98%
Total	2,558,274,785	936,252,225	63.40%	-9.55%	-3.93%	-2.14%
<b>By Region</b>						
Domestic business	2,330,780,056	791,113,867	66.06%	-9.92%	-2.36%	-2.63%
Overseas business	227,494,729	145,138,358	36.20%	-5.50%	-11.69%	4.47%
Total	2,558,274,785	936,252,225	63.40%	-9.55%	-3.93%	-2.14%

### 3. Analysis to non-main business

Available  Not available

### 4. Assets and liabilities situation

#### 1) Major changes in assets

Unit: CNY

	The end of this report period		The end of the same period of last year		Proportion increase or decrease (%)	Explanation for major changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,848,632,953	13.81%	1,683,038,453	12.91%	0.90%	No major change
Account receivable	186,131,192	1.39%	243,413,092	1.87%	-0.48%	No major change

Inventory	2,606,781,436	19.48%	2,338,925,432	17.94%	1.54%	Mainly owing to the year-on-year increase in work-in-process including bulk wine at the end of report period
Investment real estate	30,560,470	0.23%	17,877,379	0.14%	0.09%	No major change
Long-term equity investment	-	-	-	-	-	No major change
Fixed assets	5,684,612,653	42.48%	5,457,575,677	41.86%	0.62%	Mainly owing to the transfer of construction in process during the report period
Construction in process	789,872,373	5.90%	1,015,914,753	7.79%	-1.89%	Mainly owing to the transfer of construction in process into fixed assets during the report period
Short-term borrowing	678,170,667	5.07%	750,454,676	5.76%	-0.69%	Mainly owing to the repayment of short-term borrowing during the report period
Long-term loan	165,949,250	1.24%	153,965,191	1.18%	0.06%	No major change

## 2) Measuring assets and liabilities at fair value

Available     Not available

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

No

## 5. Investment situation analysis

**1) Overall situation** Available  Not available

Amount of investment during the report period (CNY)	Amount of investment in the same period of last year (CNY)	Extent of change
210,000,000.00	210,931,400.00	0.44%

**2) Situation of major equity investments acquired during the report period** Available  Not available**3) Situation of ongoing major non-equity investments during the report period** Available  Not available

Unit: CNY

Project name	Investment mode	Whether it belongs to fixed assets investment	Involved industry	Investment amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Process of project	Estimated income	Accumulated realized income up to the end of the report period	Reasons for unreached planning schedule and estimated income	Disclosure date	Disclosure index
Construction project of Yantai Changyu International Wine City blending and cooling	Self-constructed	Yes	Liquor and alcoholic beverage industry	110,000,000.00	1,486,114,100.00	Owned fund	100%	-	-	No direct income	2019.04.20	Please refer to <i>Announcement on Resolution of the Seventh Session Board of Directors 10th Meeting</i>

center												disclosed on the website of CNINFO (www.cninfo.com.cn) (announcement number: 2019-Temporary 06)
Construction project of Yantai Changyu International Wine City bottling center	Self-constructed	Yes	Liquor and alcoholic beverage industry	40,000,000.00	953,200,000.00	Owned fund	100%	-	-	No direct income	2019.04.20	
Construction project of Yantai Changyu International Wine City logistics center	Self-constructed	Yes	Liquor and alcoholic beverage industry	43,400,000.00	459,907,200.00	Owned fund	100%	-	-	No direct income	2019.04.20	
Construction project of Changyu grape and wine research institute	Self-constructed	Yes	Liquor and alcoholic beverage industry	6,000,000.00	122,974,800.00	Owned fund	85%	-	-	Not put into operation	2019.04.20	
Construction project of treasure wine chateau	Self-constructed	Yes	Liquor and alcoholic beverage industry	0.00	128,820,000.00	Owned fund	70%	-	-	Not put into operation	2019.04.20	
Construction	Self-	Yes	Liquor and	0.00	147,329,000.00	Owned	100%	-	-	Just put into	2019.04.20	

project of Koya brandy chateau	constructed		alcoholic beverage industry			fund				operation and no income	
Oak Barrel Procurement Project	Self-constructed	Yes	Liquor and alcoholic beverage industry	7,000,000.00	13,432,000.00	Owned fund	30%	-	-	No direct income	2019.04.20
Construction project of industrial production SAP information	Self-constructed	Yes	Liquor and alcoholic beverage industry	600,000.00	38,450,000.00	Owned fund	70%	-	-	Not completed	2019.04.20
Procurement project of automatic unibloc equipment for Yantai chateau	Self-constructed	Yes	Liquor and alcoholic beverage industry	0	0	Owned fund	0.00%	-	-	Not completed	2019.04.20
Project of “Constant temperature and humidity” system in underground cellar of Research & Development Center	Self-constructed	Yes	Liquor and alcoholic beverage industry	3,000,000.00	3,000,000.00	Owned fund	80%	-	-	Not completed	2019.04.20

Construction project of changyu supplier management platform and equipment management platform	Self-constructed	Yes	Liquor and alcoholic beverage industry	0.00	0.00	Owned fund	0%	-	-	Not Completed	2019.04.20	
Total	—	—	—	210,000,000.00	3,353,227,100.00	—	—	0.00	0.00	--	--	--

#### 4) Financial assets investment

##### (1) Security investment

Available  Not available

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

##### (2) Derivative investment

Available  Not available

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

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

##### 1) Sale of major assets

Available  Not available

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

## 2) Sale of major equity

Available  Not available

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

Available  Not available

Situation of main subsidiaries as well as 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 asset	Operation revenue	Operation profit	Net Profit
Chateau Changyu Castel Co., Ltd. YANAI	Subsidiary	Development, production and sales of wine and sparkling wine as well as the tourism service	USD5million	240,824,954	77,648,048	24,470,842	-2,182,761	-2,189,871
Chateau Changyu AFIP Global Wine Co., Ltd.	Subsidiary	Development, production and sales of brandy and wine	CNY642.75 million	686,690,442	640,778,175	90,339,526	17,401,737	12,711,985
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	Production of ice wine	CNY59.6873 million	84,854,207	53,126,828	19,763,387	-1,049,804	-1,986,710
Hacienda Y Vinedos Marques Del Atrio, SL	Subsidiary	Production and management of wine and other liquors	EUR2.385732 million	500,554,860	123,548,662	129,064,457	959,423	1,859,381
Indomita Wine Company Chile, SpA	Subsidiary	Production and management of wine and other liquors	USD47.19million	505,803,310	361,957,114	86,818,838	2,477,697	3,762,504
Kilikanoon Estate	Subsidiary	Production and management of wine and	AUD6.529221	147,071,8	82,030,855	22,852,809	-2,587,400	-1,509,147

Pty Ltd		other liquors	million	45				
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## 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 and management as well as performance
L&M HOLDINGS	Establishment by joint venture	As a newly-established company, this company has very little influence in overall production and management as well as performance.
Chateau Liversan	Joint venture partner uses Chateau Liversan as contribution of capital	This chateau currently has very little influence in overall production and management as well as performance.

## Explanation for main holding and joint stock companies

During the report period, Chateau Changyu Castel Co., Ltd. YANAI and Chateau Liaoning Changyu Ice Wine Co., Ltd. incurred operating losses, mainly because the two companies, as production units, sold their products to the Company's internal sales units at the internal settlement price determined by the Company, which could not truly reflect the profitability of the two companies' products. If it includes the profit generated by the internal sales units selling products to external customers, the products produced by these two companies are profitable.

During the report period, Kilikanoon Estate Pty Ltd realized the net profit of CNY550thousand for its own production and management, but after conducting the amortization of premium at the time of acquisition in accordance with accounting policy, the loss was CNY1.5million.

**8. Situation of structured subject controlled by the Company**
 Available     Not available
**9. Forecast for the operating performance from January to September of 2019**

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

 Available     Not available



## 10. Risks faced with by the Company and response measures

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

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

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

To cope with increasingly fierce market competition and to meet the needs for market development, the Company will maintain certain market input. The proportion of sales expense in the operation revenue is also high. The situation of input and output will affect the Company's business performance to a great extent and there might occur the risk that partial input may not reach the expectations. Therefore, the Company will strengthen market research and analysis, enhance market forecast accuracy and continue perfecting the input-output evaluation system to ensure the market input to reach the expectations.

### (3) Risks in product transportation

The Company's products are fragile and sold to all over the world mostly by sea transportation, railway transportation and road transportation. The peak season of sales is usually in cold winter and is close to the spring festival when there is a great need in the market. However, at this time, the domestic transportation departments may be overloaded by the flow of people and logistics, causing serious shortage of transportation capacity. In addition to natural and human factors such as snow, ice and traffic accidents and so on, there is a possibility that it is difficult to safely and timely transport products to the market, thus facing the potential risk of missing sales peak season. Therefore, the company will strive to reduce such risks by doing well sales forecasts and the connection between production and sales, rationally arranging production and transportation routes and reasonably increasing off-site inventory before the coming of peak season and so on.

### (4) Risks in investment faults

According to the programme, the Company has basically completed the production layout at home and abroad. The investment amount of Yantai Changyu Industrial Park (in other words Yantai Changyu International Wine City) is large, but there are many uncertainties in domestic wine market, which may lengthen the investment recovery period. Moreover, the integration and management of overseas M&A projects are difficult and it might also be difficult for some individual projects to obtain the expected investment income owing to being affected by various factors. Therefore, the Company will make sufficient demonstration and scientific decision on investment projects and strive to reduce and avoid investment risks.

## V. Major issues

### 1. Information for the Shareholders' Meeting and Interim 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
2018 Annual Shareholders' Meeting	Annual shareholders' meeting	58.85%	2019.05.17	2019.05.18	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> <i>Announcement on Resolution of 2018 Annual Shareholders' Meeting (Announcement number:2019- Temporary 25)</i>
First Interim Shareholders' Meeting in 2019	Interim shareholders' meeting	60.89%	2019.07.02	2019.07.03	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> <i>Announcement on Resolution of First Interim Shareholders' Meeting in 2019 (Announcement number:2019- Temporary 37)</i>

#### 2) Request for convening Interim Shareholders' Meeting by priority shareholders owing recovered voting right

Available     Not available

#### 2. Situation of profit distribution and capitalization of capital reserve into share capital during the report period

Available     Not available

The Company plans not to distribute cash dividends or give bonus shares or make capitalization of capital reserve into share capital.

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

Available     Not available

Commitments	Commitment party	Commitment type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at equity reformation						
Commitments made in acquisition report or equity change 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 <sup>th</sup> , 1997	Forever	Has been performing

	Yantai Changyu Group Co.,Ltd.	Clear the use of trademark use fee	According to <i>Trademark License Contract</i> , the trademark use fee of Changyu and other trademarks paid by this Company to Yantai Changyu Group Co., Ltd every year is mainly used for advertising Changyu and other trademarks and the contractual products by Yantai Changyu Group Co., Ltd.	May 18 <sup>th</sup> , 1997	Forever	According to <i>Trademark License Contract</i> , the trademark use fee annually charged by Yantai Changyu Group Co., Ltd. shall be mainly used to publicize trademarks including Chagnyu and contractual products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai Changyu Group Co., Ltd. has been performing the commitment.
Equity incentive commitments						
Commitments at middle and small shareholders of the Company						
Commitment under timely implementation or not	No					
Detailed explanation for specific reasons of unimplemented commitment as well as next work plan if commitment is not completed in the commitment period	<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 contractual 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. 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.</p> <p>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> <p>For other details, please refer to <i>Announcement on Commitment Issues of Yantai Changyu Group Company Limited</i> disclosed by the Company on April 4<sup>th</sup>, 2019.</p>
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#### 4. The appointment and dismissal of certified public accountants

Whether the semi-annual report has been audited

Yes  No

The semi-annual report has not been audited.

#### 5. Explanation from the board of directors and the board of supervisors for the “Non-standard Audit Report” during this report period

Available  Not available

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

Available  Not available

#### 7. Issues related with bankruptcy reorganization

Available  Not available

There are no related issues of bankruptcy reorganization happened at the end of the report period.

#### 8. Litigation Issue

Material litigation and arbitration

Available  Not available

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

Other Litigation Issue

Available  Not available

**9. Penalty and rectification**

Available  Not available

Name	Type	Reason	Investigation and Punishment	Conclusion	Disclosure date	Disclosure Index
Yantai Changyu Pioneer Wine Co., Ltd.	Other	Yantai Changyu Group Co., Ltd has not strictly fulfilled the commitment “Annual trademark use fee is mainly used to publicize trademarks including Changyu and contractual products”.	Other	-	2019.04.04	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> <i>Rectification Report of Person In Charge such as Yantai Changyu Pioneer Wine Co., Ltd. Etc on Decision of Administrative Supervision Measures issued by China Securities Regulatory Commission Shandong Regulatory Authority (Announcement number:2019- Temporary 05 )</i>
Yantai Changyu Group Co., Ltd.	Controlling shareholder		Other	-	2019.04.04	

The explanation of rectification situation

Available  Not available

During the period, this Company, Yantai Changyu Group Co., Ltd. and other related person in charge have received *Decision of Administrative Supervision Measures issued by China Securities Regulatory Commission Shandong Regulatory Authority*, and they have made rectification according to the requirement.

**10. Credit of the Company, its controlling shareholder and actual controller**

Available     Not available

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

Available     Not available

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

**12. Major related transactions****1) Related transactions in relation to routine operations**

Available     Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY'0000)	Proportion in similar transactions	Approved transaction quota (CNY'0000)	Whether exceeding 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 manufacturing consignment	Purchase and manufacturing consignment of packaging materials	Contractual pricing	Determined by agreement	7,497	10.44%	17,500	No	Cash	No	April 20 <sup>th</sup> , 2019	-
Total				-	-	7,497	-	17,500	-	-	-	-	-
Details information about the return of large sales				No									
Actual performance of the estimated total amount for daily related transactions that will occur during this report period by category (if have)				No									
Reason for the bigger deference between transaction price and market reference price(if applicable)				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 credit and debt dealings**

Available  Not available

There are no related credit and debt dealings during the report period.

## **5) Other major related transactions**

Available  Not available

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

## **13. Non-operating capital occupying of the Company by controlling shareholder and its related parties**

Available  Not available

There is no non-operating capital occupying of the Company by controlling shareholder and its related parties during the report period.

## **14. Major contracts and execution condition**

### **1) Trusteeship, contract and lease issues**

#### **(1) Trusteeship situation**

Available  Not available

There is no trusteeship situation during the report period.

#### **(2) Contract situation**

Available  Not available

Explanation for contract situation

For the Company's contract operation situation during the report period, please refer to "23. Other payables" in Note 7 "Notes on consolidated financial statement" in the financial report of this report.



Project whose profit and loss brought for the Company reach more than 10% of the total profit during the report period

Available  Not available

There are no contract projects whose profit and loss brought for the Company reach more than 10% of the total profit during the report period.

### (3) Lease situation

Available  Not available

Explanation for lease situation

On January 1<sup>st</sup>, 2017, the Company renewed the *Space Lease Agreement* with the controlling shareholder Yantai Changyu Group Company Limited. The Company leased the space with 15196.94 square meters locating at No. 174 Shihuiyao Road, Zhifu District, Yantai City. The rent per year is CNY1.4645 million with a rental period of 5 years from January 1<sup>st</sup>, 2017 to December 31<sup>st</sup>, 2021. On January 1<sup>st</sup>, 2017, the Company's subordinate Sales & Marketing Co. of Yantai Changyu Pioneer Wine Company Limited Brandy Sales Division renewed the *Space Lease Agreement* with the controlling shareholder Yantai Changyu Group Company Limited, leasing the space with 42552.83 square meters locating at No. 1 Jichang Road, Zhifu District, Yantai City and the space with 3038 square meters locating at 56 Dama Road, Zhifu District, Yantai City, which are all under the name of controlling shareholder. The rent of above spaces per year is CNY4.3935million with a rental period of 5 years from January 1<sup>st</sup>, 2017 to December 31<sup>st</sup>, 2021.

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

Project whose profit and loss brought for the Company reach more than 10% of the total profit during the report period

Available  Not available

There are no lease projects whose profit and loss brought for the Company reach more than 10% of the total profit during the report period.

## 2) Major guarantee

Available  Not available

**(1) Guarantee situation**

Unit: CNY'0000

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

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Wine Company Limited					Pledge			
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	10 years	No	Yes
Kilikanoon Estate Pty Ltd	2017.12.12	7,100	2018.01.09	7,100	Joint liability assurance	1 year	No	Yes
Total of the approved guarantee quota to subsidiaries during the report period (B1)				0	Total of the actual guarantee amount for subsidiaries during the report period (B2)		0	
Total of the approved guarantee quota to subsidiaries at the end of the report period (B3)				89,276	Balance of the actual guarantee for subsidiaries at 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 approved guarantee quota to				5,976	Total of the actual guarantee amount for subsidiaries during the report		0	

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subsidiaries during the report period (C1)		period (C2)	
Total of the approved guarantee quota to subsidiaries at the end of the report period (C3)	11,464	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)	5,976	Total of the actual guarantee amount during the report period (A2+B2+C2)	0
Total of the approved guarantee quota at the end of the report period (A3+B3+C3)	134,900	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			13.17%
Among :			
Balance of guarantee for shareholders, actual controllers and their related parties (D)			0
Balance of direct or indirect debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% (E)			0
Amount of the part in total guarantee amount that exceed 50% of net assets (F)			0
Total amount of the above-mentioned three items (D+E+F)			0
Explanation for undue guarantees that might bear joint and several responsibilities for clearing the debts during the report period (if have)		No	
Explanation for violating due process to provide external guarantee (if have)		No	

Explanation on specific situations of adapting guarantee by complex methods

No.

## **(2) Illegal external guarantee**

Available  Not available

There is no illegal guarantee during the report period.

## **3) Other major contracts**

Available  Not available

There are no other important contracts during the report period.

## **15. Situation for social responsibility**

### **1) Major environmental situation**

Whether or not the listed company and its subsidiaries belong to key pollutant discharging units stipulated by the state environmental protection department.

Not applicable.

No

### **2) Situation for carrying out social responsibility of targeted poverty alleviation**

#### **(1) Targeted poverty alleviation plan**

The Company has reached the mutual agreement with the government of Zhuqiao Town and the village committee of Dalangya Village to establish a cooperative specialized for grape. 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 mu 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 semi-annual targeted poverty alleviation**

The Company intends to help farmers grow their income by establishing vineyards together with farmers.

#### **(3) Effectiveness of targeted poverty alleviation**

The Company has established vineyards with farmers as planned, which is progressing smoothly now.

#### **(4) Subsequent plan for targeted poverty alleviation**

No

## 16. Explanation for other major issues

Available     Not available

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

## 17. Major issues of the Company's subsidiaries

Available     Not available

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

### 1. Changes in shares

#### 1) Changes in shares

Unit: share

	Amount before this change		Change at this time (+, -)					Amount after this change	
	Amount	Percentage %	Issuing new share	Distribute bonus share	Transfer capital reserve to share capital	others	Subtotal	Amount	Percentage %
1. Unrestricted shares	685,464,000	100%						685,464,000	100%
(1) A shares	453,460,800	66.15%						453,460,800	66.15%
(2) B shares	232,003,200	33.85%						232,003,200	33.85%
2. Total shares	685,464,000	100%						685,464,000	100%

Reason of changes in shares

 Available     Not available

Approval of changes in shares

 Available     Not available

Ownership transfer of changes in shares

 Available     Not available

Implementation progress of share buy-back

 Available     Not available

Implementation progress of reducing repurchased shares by the way of centralized bidding

Available  Not available

The influence of changes in shares on financial indicators in the most recent year and the most recent report period, such as basic earnings per share, diluted earnings per share and net asset per share attributable to the Company's common shareholders and so on

Available  Not available

Other contents that the Company thinks necessary or securities regulatory departments ask to disclose.

Available  Not available

## 2) Changes in restricted shares

Available  Not available

## 2. Securities issuance and listing situation

Available  Not available

## 3. Situation for the number of shareholders and shareholdings of the Company

Unit: share

Total common shareholders at the end of report period	42,531	Total number of preferred shareholder recovering voting power at the end of report period (if have) (refer to note 8)	0					
Shareholders holding more than 5% or shareholdings of the top 10 common shareholders								
Name of Shareholder	Character of shareholder	Shareholding ratio	Common share held at the end of the report period	Changes during the report period	Number of restricted common share	Number of unrestricted common share	Pledged or frozen	
							Share status	Amount
YANTAI	Domestic	50.40%	345,473,856	0	0	345,473,856		



CHANGYU GROUP CO. LTD.	non-state-owned legal person							
GAOLING FUND,L.P.	Foreign legal person	3.08%	21,090,219	0	0	21,090,219		
CHINA SECURITIES FINANCE CORP	State-owned legal person	2.25%	15,440,794	0	0	15,440,794		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826	0	0	15,241,826		
SHENWAN HONGYUAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	1.28%	8,798,233	450570	0	8,798,233		
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.93%	6,350,762	250000	0	6,350,762		
GUOTAI JUNAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	0.76%	5,229,016	185509	0	5,229,016		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	0.69%	4,761,200	0	0	4,761,200		

VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.55%	3,788,487	0	0	3,788,487		
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign legal person	0.55%	3,779,202	0	0	3,779,202		
Situation of Strategic investors or general legal person becoming the top 10 shareholders owing to placing of new shares (if have)(see note 3)			No					
Explanation for above shareholders' associated relationship and concerted action			Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or concerted action relationship with the other 9 circulating shareholders, and the relationship among the other shareholders is unknown.					
Shareholdings of top 10 common shareholders with unrestricted shares								
Name of Shareholders	Number of unrestricted shares held at the end of the report period	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(HONG KONG) LIMITED	8,798,233	B		8,798,233				
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,350,762	B		6,350,762				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	5,229,016	B		5,229,016				
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	4,761,200	A		4,761,200				
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,788,487	B		3,788,487				
FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B		3,779,202				

Explanation for associated relationship and concerted action among top 10 common shareholders with unrestricted shares and between top 10 common shareholders with unrestricted shares and top 10 common shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or concerted action relationship with the other 9 circulating shareholders, and the relationship among the other shareholders is unknown.
Explanation for top 10 common shareholders who are involved in securities margin trading business (if have)(see note 4)	The top 10 shareholders are not involved in f securities margin trading business.

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

Yes  No

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

#### 4. Changes in controlling shareholders or actual controllers

Changes in the controlling shareholders during the report period

Available  Not available

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

Changes in the actual controllers during the report period

Available  Not available

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

## VII. Related Situation of Preferred Shares

Available     Not available

There are no preferred shares during the report period.

## VIII. Situation for Directors, Supervisors, Senior Executives

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

Available     Not available

There is no change in shareholdings of directors, supervisors and senior executives during the report period. For details, please refer to 2018 Annual Report

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

Available     Not available

Name	Position	Type	Date	Reason
Sun Liqiang	Director	Leaving the post owing to expiration of tenure	2019.05.17	Retirement
Qu Weimin	Director	Leaving the post owing to expiration of tenure	2019.05.17	Retirement
Zhang Ming	Director	Leaving the post owing to expiration of tenure	2019.05.17	Expiration of tenure and job change
Antonio Appignani	Director	Leaving the post owing to expiration of tenure	2019.05.17	Expiration of tenure
Wang Shigang	Independent director	Leaving the post owing to expiration of tenure	2019.05.17	Expiration of tenure
Liu Yan	Independent director	Leaving the post owing to expiration of tenure	2019.05.17	Expiration of tenure
Chen Dianxin	Director	Elected	2019.05.17	Being elected as director when reelecting new session Board of Directors
Enrico Sivieri	Director	Elected	2019.05.17	Being elected as director when reelecting new session Board of Directors
Sun Jian	Director	Elected	2019.05.17	Being elected as director when reelecting new session Board of Directors
Li Jiming	Director	Elected	2019.05.17	Being elected as director when reelecting new session Board of Directors

Duan Changqing	Independent director	Elected	2019.05.17	Being elected as independent director when reelecting new session Board of Directors
Liu Huirong	Independent director	Elected	2019.05.17	Being elected as independent director when reelecting new session Board of Directors
Qu Weimin	Secretary of the Board of Directors	Leaving the post owing to expiration of tenure	2019.05.28	Retirement
Li Jiming	Chief engineer	Leaving the post owing to expiration of tenure	2019.05.28	Expiration of tenure
Li Jiming	Deputy general manager	Appointed	2019.05.28	Being appointed by Board of Directors
Jiang Jianxun	Chief Financial Officer	Leaving the post owing to expiration of tenure	2019.05.28	Expiration of tenure
Jiang Jianxun	Deputy general manager & Secretary of the Board of Directors	Appointed	2019.05.28	Being appointed by Board of Directors
Guo Guoqing	Independent director	Leaving the post	2019.07.02	Resigning from the post of independent director on his own initiative
Liu Qinglin	Independent director	Elected	2019.07.02	Being elected as independent director

## IX. Related Situation of Corporation Bonds

Whether or not there are the Company's corporation bonds issued in public and listed in the stock exchange, but not due on the issuance date approved in the semi-annual report or failing to pay in full on the due date

No.

## X. Financial Report

### 1. Audit report

Whether the semi-annual report has been audited

Yes  No

The semi-annual report of the Company has not been audited.

### 2. Financial statement

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

#### 2.1 Consolidated balance sheet

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. June 30, 2019 Unit: Yuan

Item	Note	June 30, 2019	December 31, 2018
<b>Current assets:</b>			
Monetary fund	7.1	1,848,632,953	1,475,700,477
Settlement reserves			
Lending funds			
Tradable financial assets			
Financial assets measured at the fair value and the variation of which is recorded into the current profits and losses			
Derivative financial assets			
Bills receivable	7.2		288,667,988
Accounts receivable	7.3	186,131,192	242,153,083
Receivables financing	7.4	372,281,872	
Advance payment	7.5	3,490,928	4,219,949
Premium receivable			
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Other receivables	7.6	28,618,983	22,636,086
Including: Interest receivable		2,099,109	1,332,681
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	7.7	2,606,781,436	2,724,591,457
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	7.8	300,418,901	258,676,396

Item	Note	June 30, 2019	December 31, 2018
<b>Total current assets</b>		5,346,356,265	5,016,645,436
<b>Non-current assets:</b>			
Offering loans and imprest			
Debt investments			
Available-for-sale financial assets			467,251
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Other investments in equity instruments			
Other non-current financial assets	7.9	515,922	
Investment real estate	7.10	30,560,470	31,572,489
Fixed assets	7.11	5,684,612,653	5,749,731,667
Construction in progress	7.12	789,872,373	759,296,591
Productive biological assets	7.13	207,613,439	209,266,373
Oil-and-gas assets			
Right-of-use assets			
Intangible assets	7.14	647,158,886	655,473,459
Development expenditure			
Goodwill	7.15	165,199,111	165,199,111
Long-term prepaid expenses	7.16	276,557,711	244,640,416
Deferred income tax assets	7.17	234,646,603	285,436,259
Other non-current assets			
<b>Total non-current assets</b>		8,036,737,168	8,101,083,616
<b>Total assets</b>		13,383,093,433	13,117,729,052
<b>Current liabilities:</b>			
Short-term loans	7.18	678,170,667	688,002,410
Borrowings from the Central Bank			
Loans from other banks and other financial institutions			
Tradable financial liabilities			
Financial liabilities measured at the fair value and the variation of which is recorded into the current profits and losses			
Derivative financial liabilities			
Bills payable			
Accounts payable	7.19	539,459,878	713,572,881
Advances from customers	7.20	177,549,080	226,075,244
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee remunerations payable	7.21	177,466,368	212,304,217
Taxes and dues payable	7.22	109,000,802	128,912,790
Other payables	7.23	977,667,007	608,479,890
Including: Interest payable		2,669,667	712,826
Dividends payable		412,646,375	



Item	Note	June 30, 2019	December 31, 2018
Handling charges and commissions payable			
Dividend payable for reinsurance			
Contract liabilities			
Liabilities held for sale			
Non-current liabilities due within one year	7.24	180,362,314	152,940,788
Other current liabilities	7.25	14,545,254	15,860,254
Total current liabilities		2,854,221,370	2,746,148,474
<b>Non-current liabilities:</b>			
Reserves for insurance contracts			
Long-term borrowings	7.26	165,949,250	156,480,662
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term accounts payable	7.27	201,000,000	225,000,000
Long-term employee remunerations payable			
Estimated liabilities			
Deferred income	7.28	64,050,895	70,367,039
Deferred income tax liabilities	7.17	18,629,612	22,010,647
Other non-current liabilities	7.29	7,159,222	7,234,853
Total non-current liabilities		456,788,979	481,093,201
<b>Total liabilities</b>		<b>3,311,010,349</b>	<b>3,227,241,675</b>
<b>Owner's equity:</b>			
Capital stock	7.30	685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital surplus	7.31	565,955,441	565,955,441
Minus: Treasury stock			
Other comprehensive income	7.32	-95,344	2,965,377
Special reserves			
Surplus reserves	7.33	342,732,000	342,732,000
General risk preparation			
Undistributed profit	7.34	8,197,828,994	8,008,982,547
Total owner's equities attributable to the parent company		9,791,885,091	9,606,099,365
Minority equity		280,197,993	284,388,012
Total owner's equities		10,072,083,084	9,890,487,377
Total liabilities and owner's equities		13,383,093,433	13,117,729,052

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

## 2.2 Balance sheet of the parent company

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

Unit: Yuan

Item	Note	June 30, 2019	December 31, 2018
<b>Current assets:</b>			
Monetary fund		1,083,333,310	624,588,809
Tradable financial assets			
Financial assets measured at the fair value and the variation of which is recorded into the current profits and losses			
Derivative financial assets			
Bills receivable			39,885,254
Accounts receivable	15.1		1,447,973
Receivables financing		56,047,969	
Advance payment		427,816	227
Other receivables	15.2	526,593,613	1,025,643,356
Including: Interest receivable		277,785	254,088
Dividends receivable		4,103,925	500,000,000
Inventories		505,479,473	385,154,740
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		35,992,255	24,704,844
<b>Total current assets</b>		<b>2,207,874,436</b>	<b>2,101,425,203</b>
<b>Non-current assets:</b>			
<b>Debt investments</b>			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	15.3	7,420,803,069	7,420,803,069
Other investments in equity instruments			
Other non-current financial assets			
Investment real estate		30,560,470	31,572,489
Fixed assets		260,448,515	265,311,274
Construction in progress		7,319,082	6,311,701
Productive biological assets		121,158,460	125,002,793
Oil and gas assets			
Right-of-use assets			
Intangible assets		66,054,490	67,244,066
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets		20,699,273	24,194,967
Other non-current assets		985,700,000	972,700,000
Total non-current assets		8,912,743,359	8,913,140,359
<b>Total assets</b>		<b>11,120,617,795</b>	<b>11,014,565,562</b>
<b>Current liabilities:</b>			
Short-term loans		150,000,000	150,000,000
Tradable financial liabilities			
Financial liabilities measured at the fair value and the variation of which			

Item	Note	June 30, 2019	December 31, 2018
is recorded into the current profits and losses			
Derivative financial liabilities			
Bills payable			
Accounts payable		106,793,658	132,704,304
Advances from customers			
Contract liabilities			
Employee remunerations		59,598,048	72,345,179
Taxes and dues payable		3,749,762	13,111,431
Other payables		913,805,782	607,974,519
Including: Interest payable		163,125	181,250
Dividends payable		411,278,400	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		3,433,054	3,433,054
Total current liabilities		1,237,380,304	979,568,487
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term accounts payable			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		7,459,789	8,910,918
Deferred income tax liabilities			
Other non-current liabilities		2,951,042	2,710,575
Total non-current liabilities		10,410,831	11,621,493
<b>Total liabilities</b>		<b>1,247,791,135</b>	<b>991,189,980</b>
<b>Owner's equity:</b>			
Capital stock		685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital surplus		557,222,454	557,222,454
Minus: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		342,732,000	342,732,000
Undistributed profit		8,287,408,206	8,437,957,128
Total owner's equities		9,872,826,660	10,023,375,582
Total liabilities and owner's equities		11,120,617,795	11,014,565,562

Legal Representative: Zhou Hongjiang

Accounting Supervisor: Jiang Jianxun

Accounting Department Manager: Jiang

Jianxun

## 2.3 Consolidated profit statement

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Total operating income</b>		2,558,274,785	2,828,230,064
Including: Operating income	7.35	2,558,274,785	2,828,230,064
Interest income			
Earned premium			
Handling fee and commission income			
<b>2. Total operating costs</b>		1,818,822,580	2,023,670,406
Including: Operating costs	7.35	936,252,225	974,557,292
Interest expenditure			
Handling fees and commission expenditure			
Premium rebate			
Net amount of indemnity expenditure			
Net amount of the withdrawn reserve fund for insurance contract			
Policy bonus payment			
Amortized reinsurance expenditures			
Taxes and surcharges	7.36	123,550,848	165,276,251
Selling expenses	7.37	591,970,801	710,659,033
Administrative expenses	7.38	155,552,312	157,964,882
Research and development expenses	7.39	2,706,811	2,127,006
Financial expenses	7.40	8,789,583	13,085,942
Including: Interest expenses		9,812,560	18,739,528
Interest income		4,606,417	7,245,870
Plus: Other profit	7.41	64,211,892	37,982,878
Investment profit (loss is listed with "-")			
Including: Investment profit for joint-run business and joint venture			
Financial assets measured at amortized cost cease to be recognized as income (loss is listed with "-")			
Exchange income (loss is listed with "-")			
Net exposure hedge income (loss is listed with "-")			
Income from fair value changes (loss is listed with "-")			
Credit impairment loss (loss is listed with "-")	7.42	-765,935	
Asset impairment loss (loss is listed with "-")	7.43	6,148,729	4,730,948
Income from asset disposal (loss is listed with "-")	7.44	1,138	93,958
<b>3. Operating profit (loss is listed with "-")</b>		809,048,029	847,367,442
Plus: Non-operating income	7.45	3,575,914	2,006,392
Minus: Non-operating expenses	7.46	164,050	1,392,362
<b>4. Total profits (total loss is listed with "-")</b>		812,459,893	847,981,472
Minus: Income tax expenses	7.47	210,281,578	211,979,735
<b>5. Net profit (net loss is listed with "-")</b>		602,178,315	636,001,737
<b>5.1 Classification by operation continuity</b>			
5.1.1 Net profit from continuing operation (net loss is listed with "-")		602,178,315	636,001,737

5.1.2 Net profit from terminating operation (net loss is listed with "-")			
5.2 Classification by ownership			
5.2.1 Net profit attributable to owner of the parent company		603,403,789	635,837,405
5.2.2 Minority interest income		-1,225,474	164,332
<b>6. Net after-tax amount of other comprehensive income</b>	7.48	-4,657,291	-11,126,413
Net after-tax amount of other comprehensive income attributable to owner of the parent company		-3,060,721	-9,230,820
6.1 Other comprehensive income not to be reclassified into profit and loss later			
6.1.1 Changes after remeasuring and resetting the benefit plans			
6.1.2 Other comprehensive income not to be reclassified into profit and loss under equity law			
6.1.3 Changes in the fair value of other investments in equity instruments			
6.1.4 Changes in the fair value of the enterprise's own credit risk			
6.1.5 Other			
6.2 Other comprehensive income to be reclassified into profit and loss later		-3,060,721	-9,230,820
6.2.1 Other comprehensive income to be reclassified into profit and loss under equity law			
6.2.2 Changes in the fair value of other debt investments			
6.2.3 Profit and loss from changes in the fair value of financial assets for sale			
6.2.4 Amount of financial assets reclassified into other comprehensive income			
6.2.5 Profit and loss from reclassification of held-to-maturity investments into financial assets for sale			
6.2.6 Provision for credit impairment of other credit investments			
6.2.7 Provision for cash-flow hedge			
6.2.8 Difference in translation of Foreign Currency Financial Statement		-3,060,721	-9,230,820
6.2.9 Other			
Net after-tax amount of other comprehensive income attributable to minority shareholders		-1,596,570	-1,895,593
<b>7. Total comprehensive income</b>		597,521,024	624,875,324
Attributable to owner of the parent company		600,343,068	626,606,585
Attributable to minority shareholders		-2,822,044	-1,731,261
<b>8. Earnings per share:</b>			
8.1 Basic earnings per share		0.88	0.93
8.2 Diluted earnings per share		0.88	0.93

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

## 2.4 Profit statement of the parent company

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Operating income</b>	15.4	352,351,002	408,845,211
Minus: Operating costs	15.4	309,570,580	352,646,989

Taxes and surcharges		13,140,156	24,463,375
Selling expenses			
Administrative expenses		39,434,246	39,827,281
Research and development expenses		405,061	360,466
Financial expenses		-3,657,370	-15,151,608
Including: Interest expenses		-2,705,073	11,357,611
Interest income		1,470,667	29,630,717
Plus: Other profit		1,716,527	1,976,527
Investment profit (loss is listed with "-")	15.5	264,221,755	312,409,576
Including: Investment profit for joint-run business and joint venture			
Financial assets measured at amortized cost cease to be recognized as income (loss is listed with "-")			
Net exposure hedge income (loss is listed with "-")			
Income from fair value changes (loss is listed with "-")			
Credit impairment loss (loss is listed with "-")			
Asset impairment loss (loss is listed with "-")			
Income from asset disposal (loss is listed with "-")			75,000
<b>2. Operating profit</b> (loss is listed with "-")		259,396,611	321,159,811
Plus: Non-operating income		703,559	56,479
Minus: Non-operating expenses		97,638	528
<b>3. Total profits</b> (total loss is listed with "-")		260,002,532	321,215,762
Minus: Income tax expenses		-726,946	2,450,592
<b>4. Net profit</b> (net loss is listed with "-")		260,729,478	318,765,170
4.1 Net profit from continuing operation (net loss is listed with "-")		260,729,478	318,765,170
4.2 Net profit from terminating operation (net loss is listed with "-")			
<b>5. Net after-tax amount of other comprehensive income</b>			
5.1 Other comprehensive income not to be reclassified into profit and loss later			
5.1.1 Changes after remeasuring and resetting the benefit plans			
5.1.2 Other comprehensive income not to be reclassified into profit and loss under equity law			
5.1.3 Changes in the fair value of other investments in equity instruments			
5.1.4 Changes in the fair value of the enterprise's own credit risk			
5.1.5 Other			
5.2 Other comprehensive income to be reclassified into profit and loss later			
5.2.1 Other comprehensive income to be reclassified into profit and loss under equity law			
5.2.2 Changes in the fair value of other debt investments			
5.2.3 Profit and loss from changes in the fair value of financial assets for sale			
5.2.4 Amount of financial assets reclassified into other comprehensive income			
5.2.5 Profit and loss from reclassification of held-to-maturity investments into financial assets for sale			
5.2.6 Provision for credit impairment of other credit investments			

5.2.7 Provision for cash-flow hedge			
5.2.8 Difference in translation of Foreign Currency Financial Statement			
5.2.9 Other			
<b>6. Total comprehensive income</b>		260,729,478	318,765,170
<b>7. Earnings per share:</b>			
7.1 Basic earnings per share		0.38	0.47
7.2 Diluted earnings per share		0.38	0.47

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

## 2.5 Consolidated cash flow statement

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		2,399,548,448	2,680,388,050
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from receiving insurance premium of original insurance contract			
Net cash received from reinsurance business			
Net increase in policy holder deposits and investment funds			
Cash received from collecting interest, handling fees and commissions			
Net increase in borrowing funds			
Net increase in repurchasement business funds			
Net cash received for buying and selling securities			
Tax refund received		20,038,271	26,089,608
Other cash received related to operating activities	7.49	67,785,620	42,343,021
<b>Subtotal of cash flows of operating activities</b>		2,487,372,339	2,748,820,679
Cash paid for goods and services		718,093,432	677,552,938
Net increase in customer loans and advances			
Net increase in deposits in central bank and interbank deposits			
Cash paid to original insurance contract payments			
Net increase in financial assets held for trading purposes			
Net increase in lending funds			
Cash paid to interest, handling fees and commissions			
Cash paid to policy bonus			
Cash paid to and on behalf of employees		278,638,333	278,814,385
Cash paid for taxes and expenses		598,384,101	802,722,798
Other cash paid related to operating activities	7.49	392,780,467	436,977,086
<b>Sub-total of cash outflows of operating activities</b>		1,987,896,333	2,196,067,207

Item	Note	Sum of current period	Sum of prior period
<b>Net cash flow from operating activities</b>		499,476,006	552,753,472
<b>2. Cash flow from investing activities:</b>			
Cash received from disinvestment			
Cash received from withdrawal of fixed deposits		104,597,650	305,000,000
Cash received from obtaining investment income			
Cash received from obtaining interest income		1,004,552	2,342,015
Cash received from disposal of fixed assets, intangible assets and other long-term assets		175,837	471,130
Net cash received from disposal of branch and other business unit			
Other cash received related to investing activities			
<b>Subtotal of cash flows of investment activities</b>		105,778,039	307,813,145
Cash paid to acquire fixed assets, intangible assets and other long-term assets		135,073,897	154,464,274
Cash for investment			
Cash paid for purchasing fixed deposits		85,238,750	340,000,000
Net increase in hypothecated loan			
Net cash paid for acquiring branch and other business unit			104,566,419
Other cash paid related to investment activities			
<b>Subtotal of cash outflows of investment activities</b>		220,312,647	599,030,693
<b>Net cash flow from investing activities</b>		-114,534,608	-291,217,548
<b>3. Cash flow from financing activities</b>			
Cash received from acquiring investment			
Including: cash received from acquiring minority shareholders investment by branch			
Cash received from acquiring loans		656,495,139	669,905,706
Cash received from issuing bonds			
Other cash received related to financing activities	7.49		23,521,431
<b>Subtotal cash flows of financing activities</b>		656,495,139	693,427,137
Cash paid for paying debts		658,033,492	658,512,141
Cash paid for distributing dividend and profit or paying interest		16,590,004	21,265,533
Including: dividend and profit paid to minority shareholders by branch			
Other cash paid related to financing activities	7.49		20,000,000
<b>Subtotal of cash outflows of financing activities</b>		674,623,496	699,777,674
Net cash flow from financing activities		-18,128,357	-6,350,537
<b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>		53,702	-7,404,199
<b>5. Net Increase in cash and cash equivalents</b>		366,866,743	247,781,188
Plus: balance at the beginning of the period of cash and cash equivalents		1,206,860,334	1,180,889,274
<b>6. Balance at the end of the period of cash and cash equivalents</b>		1,573,727,077	1,428,670,462

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



## 2.6 Cash flow statement of the parent company

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

Unit: Yuan

Item	Sum of current period	Sum of prior period
<b>1. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	219,405,421	275,862,358
Tax refund received		
Other cash received related to operating activities	57,674,830	100,163,394
<b>Subtotal of cash flows of operating activities</b>	<b>277,080,251</b>	<b>376,025,752</b>
Cash paid for goods and services	163,184,301	200,935,534
Cash paid to and on behalf of employees	45,116,586	43,647,320
Cash paid for taxes and expenses	22,530,113	43,132,327
Other cash paid related to operating activities	321,847,893	19,942,485
<b>Sub-total of cash outflows of operating activities</b>	<b>552,678,893</b>	<b>307,657,666</b>
<b>Net cash flow from operating activities</b>	<b>-275,598,642</b>	<b>68,368,086</b>
<b>2. Cash flow from investing activities:</b>		
Cash received from disinvestment		
Cash received from withdrawal of fixed deposits	40,000,000	305,000,000
Cash received from obtaining investment income	760,152,668	717,667,435
Cash received from obtaining interest income	484,857	2,342,015
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	7,519	538,055
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
<b>Subtotal of cash flows of investment activities</b>	<b>800,645,044</b>	<b>1,025,547,505</b>
Cash paid to acquiring fixed assets, intangible assets and other long-term assets	10,164,233	11,968,401
Cash for investment	13,000,000	105,926,184
Cash paid for purchasing fixed deposits	85,238,750	340,000,000
Net cash paid for acquiring branch and other business unit		
Other cash paid related to investment activities		
<b>Subtotal of cash outflows of investment activities</b>	<b>108,402,983</b>	<b>457,894,585</b>
<b>Net cash flow from investing activities</b>	<b>692,242,061</b>	<b>567,652,920</b>
<b>3. Cash flow from financing activities</b>		
Cash received from acquiring investment		
Cash received from acquiring loans		200,000,000
Cash received from issuing bonds		
Other cash received related to financing activities		
<b>Subtotal cash flows of financing activities</b>		<b>200,000,000</b>
Cash paid for debts		600,000,000
Cash paid to distribute dividend, profit or pay interest	3,248,000	11,660,417
Other cash paid related to financing activities		
<b>Subtotal of cash outflows of financing activities</b>	<b>3,248,000</b>	<b>611,660,417</b>
<b>Net cash flow from financing activities</b>	<b>-3,248,000</b>	<b>-411,660,417</b>
<b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>		
<b>5. Net Increase in cash and cash equivalents</b>	<b>413,395,419</b>	<b>224,360,589</b>
Plus: balance at the beginning of the period of cash and cash equivalents	532,384,882	493,568,866

Item	Sum of current period	Sum of prior period
equivalents		
<b>6. Balance at the end of the period of cash and cash equivalents</b>	945,780,301	717,929,455

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

## 2.7 Consolidated owner's equity changing list

Unit: Yuan

Item	This period													Minority shareholders' equity	Total owners' equity
	Owners' equity of the parent company											Subtotal			
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		Other		
	Preferred stock	Perpetual bonds	Other												
1. Balance at the end of last year	685,464,000				565,955,441		2,965,377		342,732,000		8,008,982,547		9,606,099,365	284,388,012	9,890,487,377
Plus: Accounting policies changing											-3,278,942		-3,278,942		-3,278,942
Previous error correction															
Business combination under common control															
Other															
2. Balance at the beginning of this year	685,464,000				565,955,441		2,965,377		342,732,000		8,005,703,605		9,602,820,423	284,388,012	9,887,208,435
3. Increased or decreased amount in this period (reducing amount is listed with "-")							-3,060,721				192,125,389		189,064,668	-4,190,019	184,874,649
3.1 Total comprehensive income							-3,060,721				603,403,789		600,343,068	-2,822,044	597,521,024
3.2 Owners' invested and reduced capital															
3.2.1 Owner' invested common stock															
3.2.2 Other equity instrument holders' invested capital															
3.2.3 Amount of shares paid and reckoned in															

owners' equity														
3.2.4 Other														
3.3 Profit distribution										-411,278,400	-411,278,400	-1,367,975	-412,646,375	
3.3.1 Accrued surplus reserves														
3.3.2 Accrued general risk preparation														
3.3.3 Distribution to owners (or shareholders)										-411,278,400	-411,278,400	-1,367,975	-412,646,375	
3.3.4 Other														
3.4 Internal transfer of owners' equity														
3.4.1 Capital reserves transferred and increased capital (or capital stock)														
3.4.2 Surplus reserves transferred and increased capital (or capital stock)														
3.4.3 Surplus reserves covering deficit														
3.4.4 Retained earnings carried over from the benefit plan amount														
3.4.5 Retained earnings carried over from other comprehensive income														
3.4.6 Other														
3.5 Special reserves														
3.5.1 Withdrawal in this period														
3.5.2 Usage in this period														
3.6 Other														
4. Balance at the end of this period	685,464,000				565,955,441		-95,344	342,732,000		8,197,828,994	9,791,885,091	280,197,993	10,072,083,084	

Item	Last period													Minority shareholders' equity	Total owners' equity		
	Owners' equity of the parent company											Subtotal					
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		Other				
	Preferred stock	Perpetual bonds	Other														
1. Balance at the end of last year	685,464,000				565,955,441			3,109,240			342,732,000		7,309,081,618		8,906,342,299	271,636,379	9,177,978,678
Plus: Accounting policies changing																	
Previous error correction																	
Business combination under common control																	
Other																	
2. Balance at the beginning of this year	685,464,000				565,955,441			3,109,240			342,732,000		7,309,081,618		8,906,342,299	271,636,379	9,177,978,678
3. Increased or decreased amount in this period (reducing amount is listed with "-")								-143,863					699,900,929		699,757,066	12,751,633	712,508,699
3.1 Total comprehensive income								-143,863					1,042,632,929		1,042,489,066	-1,381,414	1,041,107,652
3.2 Owners' invested and reduced capital																17,532,823	17,532,823
3.2.1 Owner' invested common stock																	
3.2.2 Other equity instrument holders' invested capital																	
3.2.3 Amount of shares paid and reckoned in owners' equity																	
3.2.4 Other																17,532,823	17,532,823

3.3 Profit distribution											-342,732,000		-342,732,000	-3,399,776	-346,131,776
3.3.1 Accrued surplus reserves															
3.3.2 Accrued general risk preparation															
3.3.3 Distribution to owners (or shareholders)											-342,732,000		-342,732,000	-3,399,776	-346,131,776
3.3.4 Other															
3.4 Internal transfer of owners' equity															
3.4.1 Capital reserves transferred and increased capital (or capital stock)															
3.4.2 Surplus reserves transferred and increased capital (or capital stock)															
3.4.3 Surplus reserves covering deficit															
3.4.4 Retained earnings carried over from the benefit plan amount															
3.4.5 Retained earnings carried over from other comprehensive income															
3.4.6 Other															
3.5 Special reserves															
3.5.1 Withdrawal in this period															
3.5.2 Usage in this period															
3.6 Other															
4. Balance at the end of this period	685,464,000				565,955,441		2,965,377		342,732,000		8,008,982,547		9,606,099,365	284,388,012	9,890,487,377

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

Unit: Yuan

Item	This period											
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Other	Total owners' equity
		Preferred stock	Perpetual bonds	Other								
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	8,437,957,128		10,023,375,582
Plus: Accounting policies changing												
Previous error correction												
Other												
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	8,437,957,128		10,023,375,582
3. Increased or decreased amount in this period (reducing amount is listed with "-")										-150,548,922		-150,548,922
3.1 Total comprehensive income										260,729,478		260,729,478
3.2 Owners' invested and reduced capital												
3.2.1 Shareholders' invested common stock												
3.2.2 Other equity instrument holder' invested capital												
3.2.3 Amount of shares paid and reckoned in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-411,278,400		-411,278,400
3.3.1 Drew surplus reserves												
3.3.2 Distribution to owners (or shareholders)										-411,278,400		-411,278,400
3.3.3 Other												
3.4 Internal transfer of owners' equity												
3.4.1 Capital reserves transferred and increased capital (or capital stock)												
3.4.2 Surplus reserves transferred and												

increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Retained earnings carried over from the benefit plan amount											
3.4.5 Retained earnings carried over from other comprehensive income											
3.4.6 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	8,287,408,206	9,872,826,660

Unit: Yuan

Item	Last period											
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Other	Total owners' equity
		Preferred stock	Perpetual bonds	Other								
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	7,811,100,555		9,396,519,009
Plus: Accounting policies changing												
Previous error correction												
Other												
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	7,811,100,555		9,396,519,009
3. Increased or decreased amount in this period (reducing amount is listed with "-")										626,856,573		626,856,573
3.1 Total comprehensive income										969,588,573		969,588,573
3.2 Owners' invested and reduced capital												
3.2.1 Shareholders' invested common stock												
3.2.2 Other equity instrument holder' invested capital												
3.2.3 Amount of shares paid and												



reckoned in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-342,732,000		-342,732,000
3.3.1 Drew surplus reserves												
3.3.2 Distribution to owners (or shareholders)												
3.3.3 Other												
3.4 Internal transfer of owners' equity												
3.4.1 Capital reserves transferred and increased capital (or capital stock)												
3.4.2 Surplus reserves transferred and increased capital (or capital stock)												
3.4.3 Surplus reserves covering deficit												
3.4.4 Retained earnings carried over from the benefit plan amount												
3.4.5 Retained earnings carried over from other comprehensive income												
3.4.6 Other												
3.5 Special reserves												
3.5.1 Accrual in this period												
3.5.2 Usage in this period												
3.6 Other												
4. Balance at the end of this period	685,464,000				557,222,454					342,732,000	8,437,957,128	10,023,375,582

### **3. Company profile**

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

As at June 30, 2019, the Company issued 685,464,000 shares accumulatively. Refer to Note 7.30 for details.

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

The financial statement and the consolidated financial statement of the Company were approved by the Board of Directors on August 26, 2019.

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

### **4. Preparation basis of financial statement**

#### **4.1 Preparation basis**

The Group implements the Accounting Standards for Business Enterprises (including the new and revised editions published in 2014) (“ASBE”) published by the Ministry of Finance and relevant

regulations thereof.

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

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

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

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

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

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

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

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

## **4.2 Continuous operation**

The Group has appraised the ability of continuous operation for 12 months from June 30, 2019, and no

issues or situations causing major doubts to this ability are found. Therefore, this financial statement is prepared on the basis of the continuous operation assumption.

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

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

This financial statement fulfills the requirement of ASBE and gives a true and integrated view of the financial status and the consolidated financial status as at June 30, 2019, as well as the operating result, the consolidated operating result, the cash flow and the consolidated cash flow of the Company from January to June 2019.

### **5.2 Accounting period**

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

### **5.3 Operating cycle**

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

### **5.4 Recording currency**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **5.7 Determination standard of cash and cash equivalents**

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

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

### **5.8.1 Foreign currency transaction**

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

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

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

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

The foreign currency cash flows and the cash flows of the overseas subsidiary companies shall be translated at the exchange rate similar to the spot exchange rate at the time when they occur; the

amount of the cash and cash equivalents impacted by the exchange rate movement shall be, as a reconciling item, separately listed under “impact of exchange rate movement on cash and cash equivalents” in the cash flow statement.

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

## **5.9 Financial instruments**

When becoming a party to a contract of financial instruments, the Company shall recognize a financial asset or financial liability.

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

According to the business model of financial assets management and the contractual cash flow characteristics of financial assets, the Company divides financial assets into: financial assets measured at amortized cost; financial assets measured at fair value and the variation of which is included in other comprehensive income; and financial assets measured at fair value and the variation of which is included in the current profits and losses.

At the time of initial recognition, financial assets shall be measured at their fair value. As for the financial assets measured at their fair value and the variation of which is included in the current profits and losses, the transaction expenses thereof shall be directly included in the current profits and losses; as for other categories of financial assets, the transaction expenses thereof shall be included in initial recognized cost. For accounts receivable or bills receivable arising from sale of products or provision of services, which do not contain or do not take into account material financing elements, the Company shall take the amount of consideration that the Company is entitled to receive as expected as the initial recognized amount.

#### **① Financial assets measured at amortized cost**

The Company manages such financial assets by the following business model: collecting contractual cash flow as the target, with the contractual cash flow characteristics of such financial assets consistent with the basic lending arrangement, that is, the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. The Company shall recognize the interest income of such financial assets by the actual interest rate method, and conduct subsequent measurement at amortized cost. The profits or losses generated from the amortization or



impairment shall be included in the current profits and losses.

② Financial assets measured at fair value and the variation of which is included in other comprehensive income

The Company manages such financial assets by the following business model: aiming at both receiving contractual cash flow and selling, with the contractual cash flow characteristics of such financial assets consistent with the basic lending arrangements. Such financial assets are measured at fair value and the variation of which is included in other comprehensive income, but impairment losses or gains, exchange gains and losses and interest income calculated by the effective interest rate method shall be included in the current profits and losses.

In addition, the Company designates some non-tradable equity instrument investments as financial assets measured at fair value and the variation of which is included in other comprehensive income. The Company shall include relevant dividend income of such financial assets in the current profits and losses, and the fair value changes in other comprehensive income. When the recognition of such financial assets is terminated the accumulated gains or losses previously recorded in other comprehensive income will be transferred into retained income from other comprehensive income, which shall not be included in the current profits and losses.

③ Financial assets measured at fair value and the variation of which is included in the current profits and losses

The Company divides those financial assets excluding the above financial assets measured at amortized cost and financial assets measured at fair value and the variation of which is included in other comprehensive income into financial assets measured at fair value and the variation of which is included in the current profits and losses, and list as tradable financial assets. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company designates some financial assets as financial assets measured at fair value and the variation of which is included in the current profits and losses. For such financial assets, the Company adopts fair value for subsequent measurement, and the variation in fair value shall be included in the current profits and losses. The financial assets that have matured for more than one year since the balance sheet date and are expected to be held for more than one year are listed as other non-current financial assets.

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

At the time of initial recognition, financial liabilities are divided into financial liabilities measured at fair value and the variation of which is included in the current profits and losses and other financial liabilities. As for the financial liabilities measured at fair value and the variation of which is included

in the current profits and losses, the transaction expenses thereof shall be directly included in the current profits and losses; as for other financial liabilities, the transaction expenses thereof shall be included in initial recognized cost.

① Financial liabilities measured at fair value and the variation of which is included in the current profits and losses

Financial liabilities measured at fair value and the variation of which is included in the current profits and losses include tradable financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated as those measured at fair value when initially recognized and the variation of which is included in the current profits and losses.

Tradable financial liabilities (including derivatives belonging to financial liabilities) shall be subsequently measured at fair value, and the variation in the fair value shall be included in the current profits and losses except those related to hedge accounting.

For the financial liabilities designated as those measured at fair value and the variation of which is included in the current profits and losses, the variation in fair value caused by changes in the Company's own credit risk is included into other comprehensive income, and when the recognition of this liability is terminated, the accumulated variation in fair value caused by changes in its own credit risk which is included into other comprehensive income shall be transferred into retained income.

The remaining variations in fair value are included in the current profits and losses. If any accounting mismatch in profits and losses is caused or enlarged by handling the impact of changes in the own credit risk of such financial liabilities in the above way, the Company shall include all the gains or losses of such financial liabilities (including the impact amount of changes in the credit risk of the enterprise) in the current profits and losses.

② Other financial liabilities

In addition to the financial assets of which the transfer doesn't meet the conditions to terminate the recognition or financial liabilities formed by continuous involvement in the transferred financial assets and other financial liabilities beyond the financial guarantee contract classified as financial liabilities measured at amortized cost, the financial liabilities shall be measured at the amortized cost for subsequent measurement, and the profits or losses caused by termination of recognition or amortization shall be included in the current profits and losses.

### **5.9.3 Recognition basis and measurement method for the transfer of financial assets**

Where a financial asset meets any of the following requirements, the recognition of it shall be terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The financial asset has been transferred and almost all the risks and rewards in the ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred, although the enterprise has neither transferred nor retained almost all the risks and rewards in the ownership of the financial asset, it has given up its control over the financial asset. If the enterprise has neither transferred nor retained nearly all the risks and rewards in the ownership of the financial asset, and has not given up its control over the financial asset, relevant financial asset shall be recognized according to the extent of its continued involvement in the transferred financial asset, and relevant liabilities shall be recognized accordingly. The extent of continued involvement in the transferred financial asset refers to the risk level faced by the enterprise due to the change in the value of the financial asset.

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

Where the partly transfer of a financial asset meets the derecognition conditions of termination, the book value of the transferred financial asset shall be distributed between the terminated part of the recognition and the unterminated part of the recognition, and the difference between the sum of the consideration received as a result of the transfer and the accumulated amount of the changes in the fair value of the derecognized part that is originally included in other comprehensive income and the aforesaid distributed book amount shall be included in the current profits and losses.

The Company shall determine whether almost all the risks and rewards in the ownership of the financial assets sold by means of attached right of recourse or the financial assets that it holds which are endorsed to transfer have been transferred. Where almost all the risks and rewards in the ownership of the financial assets have been transferred to the transferee, the recognition of such financial assets shall be terminated; Where almost all the risks and rewards in the ownership of the financial assets are retained, the recognition of such financial assets shall not be terminated; If almost all the risks and rewards in the ownership of the financial assets are neither transferred nor retained, the enterprise shall continue to judge whether it retains control over the assets and then conduct accounting treatment in accordance with the principles described in the preceding paragraphs.

#### **5.9.4 Derecognition of financial liabilities**

Where the current obligation of a financial liability (or part thereof) has been discharged, the Company shall terminate the recognition of such financial liability (or part thereof). If the Company (borrower) signs an agreement with the lender to replace the original financial liability by assuming the new financial liability, and the contract terms of the new financial liability are substantially different from those of the original financial liability, the recognition of the original financial liability shall be terminated and a new financial liability shall be recognized at the same time. If the Company substantially modifies the contract terms of the original financial liability (or part thereof), it shall terminate the recognition of the original financial liability and recognize a new financial liability in accordance with the revised terms at the same time.

If the recognition of a financial liability (or part of it) is terminated, the Company shall record the difference between its book value and the consideration paid (including the transferred non-cash assets or liabilities assumed) into the current profits and losses.

#### **5.9.5 Offsetting of financial assets and financial liabilities**

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

#### **5.9.6 Determination method of the fair value of financial assets and liabilities**

The fair value refers to the price that market participants need to pay to receive or transfer a liability when selling an asset in an orderly transaction that takes place on the measurement date. Where there is an active market for a financial instrument, the Company shall determine its fair value by the quotation in the active market. Quotations in the active market are prices that are readily available from exchanges, brokers, trade associations, pricing services, etc., on a regular basis, which represent the prices of actual market transactions that occur in fair trade. Where there is no active market for financial instruments, the Company shall use valuation

techniques to determine their fair value. Valuation techniques include referring to prices used in recent market transactions by parties familiar with the situation and willing to trade, current fair values of other financial instruments that are substantially the same, discounted cash flow method, option pricing models, etc. At the time of valuation, the Company adopts valuation techniques applicable to the current situation and supported by sufficient available data and other information, selects input values consistent with the asset or liability characteristics considered by market participants in the transaction of related assets or liabilities, and gives priority to relevant observable input values as far as possible. When relevant observable input values can't be obtained or are not practicable to obtain, the non-inputable values shall be used.

### **5.9.7 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as changes in equity, and transaction costs related to equity transactions are deducted from the equity. The Company does not recognize any variation in the fair value of equity instruments.

Dividends paid on the Company's equity instruments during their existence (including the “interest” generated by the instruments classified as equity instruments) shall be treated as profit distribution.

### **5.9.8 Impairment of financial assets**

For financial assets measured at amortized cost and debt instrument investments measured at fair value and whose changes are included in other comprehensive income, the Company shall recognize provision for losses on the basis of expected credit losses.

The Company takes reasonable and reliable information about past events, current situation and forecast of future economic situation into consideration, calculates the probability weighted amount of the present value of the difference between the cash flow receivable of the contract and the cash flow expected to be received based on the weight of the risk of default, and recognizes the expected credit losses.

On each balance sheet date, the Company measures the expected credit losses of financial instruments at different stages respectively. If the credit risk of the financial instrument does not increase significantly after the initial recognition, in the first stage, the Company shall measure the provision for losses according to the expected credit losses in the next 12 months; If the credit risk of a financial instrument has increased significantly since the initial recognition, but no credit impairment has occurred, in the second stage, the Company shall measure the provision for losses according to the expected credit loss of the entire duration of the instrument; If the credit impairment of a financial instrument has occurred since the initial recognition, in the third stage, the Company shall measure the provision for losses according to the expected credit loss of the entire duration of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition, and measures the provision for losses according to the expected credit loss in the next 12 months.

For the financial instruments in the first and second stages and with low credit risk, the Company calculates the interest income according to the book balance without deduction of impairment provision at the actual interest rate. For financial instruments in the third stage, interest income is calculated according to the book balance minus the amortized cost at the actual interest rate after the provision for impairment has been accrued.

When an individual financial asset can't evaluate the information of the expected credit loss at a reasonable cost, the Company divides the receivables into several combinations according to the characteristics of credit risk, and calculates the expected credit loss on the basis of the combination.

For bills receivable and accounts receivable, no matter whether there is a significant financing component, the Company measures the provision for losses according to the expected credit loss throughout the duration.

For the bills receivable divided into portfolio, the Company calculates the expected credit loss by referring to the historical credit loss experience, combining the current situation as well as the forecast of the future economic situation, and through the default risk exposure and the expected credit loss rate of the entire duration.

For the accounts receivable divided into portfolio, the Company calculates the expected credit loss by referring to the historical credit loss experience, combining the current situation as well as the forecast

of the future economic situation, and formulating the comparison table of the overdue days of accounts receivable and the expected credit loss rate of the whole duration.

For other receivables divided into portfolio, the Company calculates the expected credit loss by referring to the historical credit loss experience, combining the current situation as well as the forecast of the future economic situation, and through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

The Company will include the accrued or transferred-back provision for losses in the current profits and losses. For debt instruments that are measured at fair value and the variation of which is included in other comprehensive income, the Company shall adjust other comprehensive income while including impairment loss or profit in the current profits and losses.

## **5.10 Inventories**

### **5.10.1 Categories of inventories**

The inventories of the Group mainly include raw materials, goods in process and finished goods. Inventories are initially measured at cost. Inventory costs include purchase costs, processing costs and other expenses incurred to bring inventory to its current location and condition.

The agricultural products harvested are treated in accordance with the Accounting Standard for Business Enterprises No.1 – Inventories.

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

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

### **5.10.3 Determination basis for net realisable value of inventories**

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net

realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

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

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

#### **5.10.4 Inventory count system**

The perpetual inventory system is maintained for stock system.

#### **5.10.5 Amortization method for low cost and short-lived consumable items and packaging materials**

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

#### **5.11 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 On the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period.

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

## **5.12 Long-term equity investments**

### **5.12.1 Judgment basis of control, joint control and significant influence**

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

### **5.12.2 Determination of initial investment cost**

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

Audit fee, legal services, evaluation and 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 recognized using

original cost.

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

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

The financial statement of the Company 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 recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

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

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

## **5.13 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 properties, 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.

## 5.14 Fixed assets

### 5.14.1 Recognition condition

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 recognized 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 derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

### 5.14.2 Depreciation method

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

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

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

obtain from the disposal less expected disposal fees.

### **5.14.3 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 derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

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

### **5.15 Construction in progress**

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

### **5.16 Borrowing costs**

Borrowing costs directly attributable to the assets meeting the capitalization conditions during the acquisition, construction or production shall be capitalized 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. Capitalization of borrowing costs shall be terminated when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during the period in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months, until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

The interest expenses actually incurred in the current period of the special loan shall be capitalized after deducting the interest income obtained by depositing the unused loan funds into the bank or the

investment income obtained from the temporary investment.

### 5.17 Biological assets

The biological assets of the Group are productive biological assets.

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

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

<u>Category</u>	<u>Useful life</u>	<u>Estimated net 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 productive biological assets.

The Group reviews the useful life and estimated net residual value of productive 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 recognized in profit or loss for the current period.

## 5.18 Intangible assets

Intangible assets include land use right, software, 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 amortized 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>Category</u>	<u>Useful life</u>	<u>Estimated net residual rate</u>	<u>Annual amortization rate</u>
Land use right	40-50 years	-	2%-2.5%
Software	5-10 years	-	10%-20%
Trademark	10 years		10%

Except for the above intangible assets with finite useful life, the Group also has land use right and trademark use right with infinite useful lives. Land use right with infinite useful life refers to the permanent land property right held by the Company for purchasing by Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SpA. (collectively referred to as the "Chile Indomita Wine Group") and Kilikanoon Estate Pty Ltd (hereinafter referred to as "Australian Kilikanoon Estate") according to related Chilean and Australian law, which doesn't need to be amortized. Trademark use right refers to the trademark held by the Group for purchasing Chile Indomita Wine Group and Australian Kilikanoon Estate, which has no finite useful life. The valuation of trademark use right is based on the trends in the market and competitive environment, product cycle, and managing long-term development strategy. Those basis indicated the trademark will provide net cash flows to the Group within a given period. Because it was hard to predict the period that it would bring economic benefits to the Group, the useful lives were uncertain.

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

## 5.19 Impairment of long-term assets

The Group and the Company review the impairment status of long-term equity investments, fixed assets, investment real estate, construction in progress, productive biological asset and intangible assets with finite useful life at the end of each year. If the assets exist impairment, the Group estimates the recoverable amount of the assets. Intangible assets with indefinite useful life and intangible assets

not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

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

If recoverable amount of assets is less than book value, the difference is recognized 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 recognized 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 recognized in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

## 5.20 Long-term unamortized expenses

The Long-term unamortized expenses are amortized evenly over the period of estimated earnings, and the long-term unamortized expenses of the Group are amortized over the following period:

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

## **5.21 Employee remuneration**

### **5.21.1 Accounting treatments of short-term remuneration**

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the actual long-term remuneration for that service as a liability, and includes in the current profits and losses or the related asset costs. Employee welfare expenses incurred by the Group shall be recorded into the current profits and losses or related asset costs according to the actual amount. 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 recognized 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 included in the current profits and losses or related asset costs.

### **5.21.2 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 recognize liability in accordance with the amounts to be paid calculated according to the predetermined provision plan, and the related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

### **5.21.3 Accounting treatments of termination benefits**

When providing termination benefits to employees, the Group recognize 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 recognize relevant costs and expenses related to the payment of termination benefits in restructuring.



## **5.22 Revenue**

### **5.22.1 Revenue from sale of goods**

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

### **5.22.2 Revenue from rendering of services**

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

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

## **5.23 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 recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

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

### **5.23.1 Judgment basis and accounting treatments of government grant related to an asset**

A government grant related to an asset is recognized as deferred income, and evenly amortized to

profit or loss over the useful life of the related asset.

### **5.23.2 Judgment basis and accounting treatments of 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 recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

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

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

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

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

### **5.24.1 Current income tax**

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

### **5.24.2 Deferred income tax assets and deferred income 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 recognized as assets or liabilities

and their tax base that can be determined according to tax laws, deferred income tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred income tax assets for deductible temporary differences are recognized 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 recognized.

For deductible losses and tax credits that can be carried forward, deferred income tax assets are recognized 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 income tax liabilities are recognized 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 income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized 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.

On the balance sheet date, deferred income 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 recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized 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.

On the balance sheet date, the carrying amount of deferred income 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 income tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

### **5.24.3 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 income tax assets and deferred income 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 income tax assets or liabilities are expected to be reversed, deferred income tax assets and deferred income tax liabilities are offset and presented on a net basis.

## **5.25 Leases**

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

### **5.25.1 Operating lease accounting treatments**

#### **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.

#### **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 capitalised

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.

## 5.26 Changes in major accounting policies and accounting estimates

### 5.26.1 Changes in major accounting policies

Content and reason of accounting policy change	Examination and approval procedure	Remarks
In 2017, the Ministry of Finance issued the revised <i>Accounting Standards for Enterprises No.22–Recognition and Measurement of Financial Instruments</i> , <i>Accounting Standards for Enterprises No.23–Transfer of Financial Assets</i> , <i>Accounting Standards for Enterprises No.24 –Hedging and Accounting Standards for Enterprises No.37- Presentation of Financial Instruments</i> (hereinafter referred to as “New Financial Instruments Standards”). From January 1, 2019, the Group conducted accounting treatment in accordance with the above newly revised standards. According to the linkage provisions, no adjustment will be made to the information during the comparable period. The undistributed profits at the beginning of this reporting period will be retroactively adjusted based on the difference between the new standards and the existing standards on the first day of implementation.	Approved by the second meeting of the eighth Board of Directors.	In the consolidated balance sheet on January 1, 2019, the accounts receivable changed from RMB 242,153,083 to RMB 237,781,161; the deferred income tax assets were changed from RMB 285,436,259 to RMB 286,529,239; and the undistributed profit was changed from RMB 8,008,982,547 to RMB 8,005,703,605.
According to the requirements in the <i>Notice on Revising, Printing &amp; Distributing Financial Report Format for General Enterprises in 2019</i> (Cai Kuai [2019]No. 6), in the balance sheet, the item of “bills receivable and accounts receivable” shall be divided into “bills receivable” and “accounts receivable”; and the item of “bills payable and accounts payable” shall be divided into “bills payable” and “accounts payable”; in the income statement, the item of “R&D expenses” not only reflects the expensed expenditure incurred in the research and development process, but also includes the amortization of self-developed intangible assets listed in the item of “management expenses”.	Approved by the second meeting of the eighth Board of Directors.	The change of accounting policy has no impact on the merger and the net profit of the Company and the owner's equity.

### 5.26.2 Changes in major accounting estimates

Nil

### 5.26.3 Particulars of first implementation of New Financial Instruments Standards, new income standards, and new lease standards to adjust the first implementation of related items in the financial statements at the beginning of the year

#### Consolidated Balance Sheet

Unit: Yuan

Item	December 31, 2018	January 1, 2019	Adjusted amount
Bills receivable	288,667,988		-288,667,988
Accounts receivable	242,153,083	237,781,161	-4,371,922
Receivables financing		288,667,988	288,667,988
Available-for-sale financial assets	467,251		-467,251
Other non-current financial assets		467,251	467,251
Deferred income tax assets	285,436,259	286,529,239	1,092,980
Undistributed profit	8,008,982,547	8,005,703,605	-3,278,942
Total owner's equity	9,606,099,365	9,602,820,423	-3,278,942

Explanation for adjustment:

Unit: Yuan

Item	Book value listed according to the original standards on December 31, 2018	Impact of the New Financial Instrument Standards	Impact of changes in presentation of other financial statements	Book value listed according to the new standards on January 1, 2019
Bills receivable and accounts receivable	530,821,071		-530,821,071	
Bills receivable		-288,667,988	288,667,988	
Accounts receivable		-4,371,922	242,153,083	237,781,161
Receivables financing		288,667,988		288,667,988
Available-for-sale financial assets	467,251	-467,251		
Other non-current financial assets		467,251		467,251
Deferred income tax assets	285,436,259	1,092,980		286,529,239
Total	816,724,581	-3,278,942		813,445,639

#### Balance Sheet of the Parent Company

Unit: Yuan

Item	December 31, 2018	January 1, 2019	Adjusted amount
Bills receivable	39,885,254		-39,885,254
Accounts receivable	1,447,973	1,447,973	
Receivables financing		39,885,254	39,885,254
Total owner's equity	10,023,375,582	10,023,375,582	

Explanation for adjustment:

Unit: Yuan

Item	Book value listed according to the original standards on December 31, 2018	Impact of the New Financial Instrument Standards	Impact of changes in presentation of other financial statements	Book value listed according to the new standards on January 1, 2019
Bills receivable and accounts receivable	41,333,227		-41,333,227	
Bills receivable		-39,885,254	39,885,254	
Accounts receivable			1,447,973	1,447,973
Receivables financing		39,885,254		39,885,254
Other receivables	1,025,643,356			1,025,643,356
Total	1,066,976,583			1,066,976,583

## 5.27 Other

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

In the application of accounting policies as set out in Note 4, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group periodically reviews 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 assumption and uncertainties in accounting estimates

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

### Deferred income tax assets recognized by deductible loss

Deferred income 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 income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### **Depreciation of fixed assets**

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, depreciation expenses will be adjusted in the future period.

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

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

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from an asset. As it is difficult for the Group to obtain the quoted market price of the assets (or assets group), the fair value of the assets cannot be reliably estimated. When estimating the present value of future cash flows, it is necessary to make important judgments about the output, selling price, related operating costs, discount rate used in calculating the present value of the asset (or asset group), etc. In estimating the recoverable amount, the Group uses all readily available information, including projections of production volumes, selling prices and associated operating costs based on reasonable and supportable assumptions.

### **Inventory depreciation provision accrued 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.



## **Preparation for the measurement of the fair value of identifiable assets and liabilities of the acquiree from a business combination**

For the cost of business combination, the Group allocates the purchase price based on the fair value of the identifiable assets and liabilities of the acquiree on the date of acquisition. When measuring the fair value of the above identifiable assets and liabilities in accordance with the present value of future cash flow, the management of the Group needs to estimate the sales growth rate based on the supply and demand situation of the future market to forecast the cash flow, and consider to choose the appropriate discount rate for the discount. The management may use significant accounting estimates and judgments in the progress.

## **6. Taxes**

### **6.1 The main taxes and tax rates are as follows:**

Tax category	Taxation basis	Tax rates
Value added tax	Levied on the balance between the output tax calculated based on taxable income and the input tax allowed to be deducted in current period	13%, 9% 6% (Chinese), 20% (France), 21% (Spain), 19% (Chile), 10% (Australia)
Consumption tax	Levied on taxable income	10%, 20% (Chinese)
City development tax	Levied on circulation tax actually paid	7% (Chinese)
Corporate income tax	Levied on taxable income	25%(Chinese), 33.3%(France), 28% (Spain), 27% (Chile), 30% (Australia)

### **6.2 Tax incentives and relative permit**

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

Yantai Changyu Grape Growing Co., Ltd. ("Grape Growing"), a branch of the Company, whose principal activity is grape growing is incorporated in Zhifu District, Yantai City, Shandong Province.

According to clause 27 of PRC Corporate Income Tax and clause 86 of PRC Corporate Income Tax Measures for Implementation, Grape Growing enjoys an exemption of corporate income tax.

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

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

## 7. Notes to items in the consolidated financial statement

### 7.1 Monetary capital

Unit: Yuan

Item	Ending balance	Beginning balance
Cash on hand	70,198	114,335
Bank deposit	1,756,744,006	1,382,399,749
Other monetary capital	91,818,749	93,186,393
Total	1,848,632,953	1,475,700,477

As at June 30, 2019, the restricted bank deposit details are listed as follows:

Unit: Yuan

Item	Ending balance	Beginning balance
Housing fund of the unit	2,647,877	2,611,350
Total	2,647,877	2,611,350

As at June 30, 2019, the details of other monetary funds are listed as follows:

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge of fixed deposits by Yantai Changyu Wine Research, Development and Manufacture Co., Ltd. ("R&D Company")	46,100,000	46,100,000
Guaranteed deposits paid for the letter of credit	44,540,850	44,540,850
Account balance of Alipay	1,042,367	2,483,816

Guaranty money for the unit card	125,532	51,727
Guaranty money for ICBC platform	10,000	10,000
Total	91,818,749	93,186,393

As at June 30, 2019, the bank deposits of the Group including short-term fixed deposits ranging from 3 months to 12 months amounted to RMB 180,439,250 Yuan (December 31, 2018: RMB 173,042,400 Yuan), with the interest rates ranging from 1.40% to 2.03%.

## 7.2 Bills receivable

### 7.2.1 Classification of bills receivable

Unit: Yuan

Type	Ending balance	Beginning balance
Bank acceptance		288,667,988
Trade acceptance		
Total		288,667,988

### 7.2.2 Provision for bad debts accrued, withdrawn or transferred back in this period

Nil

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

Nil

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

Unit: Yuan

Item	Amount terminating recognition at the end of period	Amount not terminating recognition at the end of period
Bank acceptance	275,760,494	
Trade acceptance		
Total	275,760,494	

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

Nil

### 7.2.6 Bills receivable actually cancelled after verification in this period

Nil

## 7.3 Accounts receivable

### 7.3.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable for which provision for bad debts is accrued on a single item basis						242,153,083	100%			242,153,083
Including:										
Accounts receivable for which provision for bad debts is accrued on a combined basis	191,269,049	100%	5,137,857	2.78%	186,131,192					
Including:										
Accounts receivable for which provision for bad debts is accrued by credit risk features	191,269,049	100%	5,137,857	2.78%	186,131,192					
<b>Total</b>	<b>191,269,049</b>	<b>100%</b>	<b>5,137,857</b>	<b>2.78%</b>	<b>186,131,192</b>	<b>242,153,083</b>	<b>100%</b>			<b>242,153,083</b>

Provision for bad debts accrued on a combined basis:

Unit: Yuan

Name	Ending balance		
	Book balance	Provision for bad debts	Accrued proportion
Accounts receivable for which provision for bad debts is accrued by credit risk features	191,269,049	5,137,857	2.78%
<b>Total</b>	<b>191,269,049</b>	<b>5,137,857</b>	<b>--</b>

Disclosed by age:

Unit: Yuan

Age	Ending balance
Within 1 year (including)	180,854,504
1-2 years	8,978,048
2-3 years	1,199,269
Over 3 years	237,228
<b>Total</b>	<b>191,269,049</b>

As at June 30, 2019, the accounts receivable with ownership restrictions were RMB 31,134,017 Yuan (December 31, 2018: RMB 52,015,032 Yuan). Please refer to Note 7.18 for details.

### 7.3.2 Provision for bad debts accrued, withdrawn or transferred back in this period

Provision for bad debts accrued in this period:

Unit: Yuan

Type	Beginning balance of the original financial instruments standards	Adjusted amount in the first implementation of the New Financial Instruments Standards	Beginning balance of the year after adjustment	Changes in this period			Ending balance
				Accrued	Withdrawn or transferred back	Cancelled	
Accounts receivable for which provision for bad debts is accrued by credit risk features		4,371,922	4,371,922	765,935			5,137,857
<b>Total</b>		<b>4,371,922</b>	<b>4,371,922</b>	<b>765,935</b>			<b>5,137,857</b>

There were no provision for bad debts withdrawn or transferred back in this period.

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

Nil

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

Unit: Yuan

Unit	Relationship with the Company	Amount	Period	Percentage in total accounts receivable
Nonggongshang Supermarket (Group) Co., Ltd.	Third party	10,077,717	Within 1 year	5.3%
Suguo Supermarket Co., Ltd.	Third party	7,168,620	Within 1 year	3.7%
Viñedos y Bodegas Las Pircas	Third party	6,917,840	Within 1 year	3.6%
Lianhua Supermarket Holdings Co., Ltd.	Third party	5,408,819	Within 1 year	2.8%
MARKS AND SPENCER	Third party	5,365,322	Within 1 year	2.8%
<b>Total</b>	--	<b>34,938,318</b>	--	<b>18.3%</b>

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

Nil

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

Nil

**7.4 Receivables financing**

Unit: Yuan

Item	Ending balance	Beginning balance
Bank acceptance	372,281,872	
Total	372,281,872	

**7.5 Advance payment****7.5.1 Advance payment listed by age**

Unit: Yuan

Age	Ending balance		Beginning sum	
	Amount	Proportion	Amount	Proportion
Within 1 year	3,490,928	100%	4,219,949	100%
1-2 years				
2-3 years				
More than 3 years				
Total	3,490,928	--	4,219,949	--

**7.5.2 Advance payment collected by the prepaid parties of top 5 units ranked by the ending balance**

Unit: Yuan

Category of client	Relationship with the Group	Amount	Age	Reason for unsettlement	Percentage in the total advance payment%
Ningxia Vangarie Wine Co., Ltd.	Third party	600,000	Within 1 year	Failure to receive the goods	17.2%
Yantai Power Supply Company of State Grid Shandong Electric Power Company	Third party	500,000	Within 1 year	Prepaid electricity purchasing fund	14.3%
DONELLI VINI S.P.A.	Third party	463,523	Within 1 year	Failure to receive the goods	13.3%
YEDA Thermal Power Construction &	Third party	250,545	Within 1	Failure to receive the goods	7.2%

Installation Engineering Co., Ltd.			year		
Yantai Deyi Hardware Mechanical & Electrical Co., Ltd.	Third party	192,045	Within 1 year	Failure to receive the goods	5.5%
Total	--	2,006,113	--	--	57.4%

## 7.6 Other receivables

Unit: Yuan

Item	Ending balance	Beginning balance
Interest receivable	2,099,109	1,332,681
Dividends receivable		
Other receivables	26,519,874	21,303,405
Total	28,618,983	22,636,086

### 7.6.1 Interest receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed deposit	2,099,109	1,332,681
Entrusted loan		
Bond investment		
Total	2,099,109	1,332,681

### 7.6.2 Other receivables

#### 7.6.2.1 Other receivables classified by nature

Unit: Yuan

Nature	Ending book balance	Beginning book balance
Deposit and guaranty money receivable	9,991,516	10,453,624
Imprest receivable	2,776,485	2,274,038
Accounts receivable from related parties	1,911,880	813,440
Consumption tax and added-value tax export rebate	9,651,893	6,273,882
Other	2,188,100	1,488,421
Total	26,519,874	21,303,405

#### 7.6.2.2 Disclosed by age

Unit: Yuan

Age	Ending balance
Within 1 year (including)	15,284,516
1-2 years	1,162,933
2-3 years	8,302,579

Age	Ending balance
More than 3 years	1,769,846
Total	26,519,874

### 7.6.2.3 Provision for bad debts accrued, withdrawn or transferred back in this period

The provision for bad debts accrued in this period was RMB 0 Yuan; and that withdrawn or transferred back in this period was RMB 0 Yuan.

### 7.6.2.4 Other receivables actually cancelled after verification in this period

Nil

### 7.6.2.5 Other receivables collected by the borrowers of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Nature	Ending balance	Age	Percentage in total ending balance of other accounts receivable	Ending balance of provision for bad debts
YEDA Construction Industry Association	Construction guaranty money	7,709,477	Within 3 years	29.10%	
Yantai God Horse Packing Co., Ltd. Printing Branch	Lease payment receivable	1,626,880	Within 1 year	6.10%	
Yantai Zhongya Medical Health Wine Co., Ltd.	Lease payment receivable	285,000	Within 1 year	1.10%	
YEDA Finance Bureau	Guaranty money	198,056	Within 1 year	0.70%	
Yantai Power Supply Company of State Grid Shandong Electric Power Company	Deposit	80,000	Within 1 year	0.30%	
Total	--	9,899,413	--	37.30%	

### 7.6.2.6 Accounts receivable involving government subsidies

Nil

### 7.6.2.7 Other receivables that are terminated for recognition due to transfer of financial assets

Nil

### 7.6.2.8 Other receivables transferred and then included in assets and liabilities

Nil



## 7.7 Inventories

### 7.7.1 Inventory classification

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	88,705,179		88,705,179	67,267,035		67,267,035
Goods in process	1,837,958,108		1,837,958,108	1,787,819,923		1,787,819,923
Commodity stocks	698,652,646	18,534,497	680,118,149	894,187,725	24,683,226	869,504,499
Total	2,625,315,933	18,534,497	2,606,781,436	2,749,274,683	24,683,226	2,724,591,457

### 7.7.2 Inventory depreciation provision

Unit: Yuan

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Accrual	Other	Transfer back or write-off	Other	
Raw materials						
Goods in process						
Commodity stocks	24,683,226			6,148,729		18,534,497
Total	24,683,226			6,148,729		18,534,497

## 7.8 Other current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Prepaid corporate income tax	70,523,939	24,077,323
Deductible input tax	229,478,097	233,087,707
Rent to be amortized	416,865	1,511,366
Total	300,418,901	258,676,396

## 7.9 Other non-current financial assets

Unit: Yuan

Item	Ending balance	Beginning balance
Other	515,922	
Total	515,922	

## 7.10 Investment real estate

### 7.10.1 Investment real estate by cost measurement method

Unit: Yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I Original book value				
1. Beginning balance	70,954,045			70,954,045
2. Increase in this period				
2.1 Outsourcing				
2.2 Transfer in from inventories/fixed assets\ construction in progress				
2.3 Business merger increase				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance	70,954,045			70,954,045
II Accumulated depreciation & accumulated amortization				
1. Beginning balance	39,381,556			39,381,556
2. Increase in this period	1,012,019			1,012,019
2.1 Accrual or amortization	1,012,019			1,012,019
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance	40,393,575			40,393,575
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance				
IV Book value				
1. Ending book value	30,560,470			30,560,470
2. Beginning book value	31,572,489			31,572,489

## 7.11 Fixed assets

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed assets	5,684,612,653	5,749,731,667
Disposal of fixed assets		
Total	5,684,612,653	5,749,731,667

### 7.11.1 Particulars of fixed assets

Unit: Yuan

Item	Houses and buildings	Machinery equipment	Construction tools	Total
I Original book value:				
1. Beginning balance	4,761,426,425	2,665,798,814	26,580,639	7,453,805,878
2. Increase in this period	33,949,084	48,642,164	1,281,845	83,873,093
2.1 Acquisition	4,174,052	13,254,325	1,281,845	18,710,222
2.2 Transfer in from construction in progress	29,775,032	35,387,839		65,162,871
2.3 Business merger increase				
3. Decrease in this period	5,422,920	2,867,114	456,453	8,746,487
3.1 Disposal or retirement	5,422,920	2,867,114	456,453	8,746,487
4. Ending balance	4,789,952,589	2,711,573,864	27,406,031	7,528,932,484
II Accumulated depreciation				
1. Beginning balance	621,266,769	1,062,064,237	20,743,205	1,704,074,211
2. Increase in this period	67,239,979	79,376,506	1,071,000	147,687,485
2.1 Accrual	67,239,979	79,376,506	1,071,000	147,687,485
3. Decrease in this period	4,489,447	2,518,788	433,630	7,441,865
3.1 Disposal or retirement	4,489,447	2,518,788	433,630	7,441,865
4. Ending balance	684,017,301	1,138,921,955	21,380,575	1,844,319,831
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal or retirement				
4. Ending balance				
IV Book value				
1. Ending book value	4,105,935,288	1,572,651,909	6,025,456	5,684,612,653
2. Beginning book value	4,140,159,656	1,603,734,577	5,837,434	5,749,731,667

As at June 30, 2019, the net value of the fixed assets with ownership restrictions was RMB 353,013,613 Yuan (December 31, 2018: RMB 412,006,421 Yuan). Please refer to Note 7.51 for details.

### 7.11.2 Particulars of temporarily idle fixed assets

Unit: Yuan

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Remarks
Temporarily idle fixed assets	124,758,075	67,762,891		56,995,184	

**7.11.3 Particulars of fixed assets under finance leases**

Nil

**7.11.4 Fixed assets under operating lease**

Unit: Yuan

Item	Ending book value
Machinery equipment	115,720

**7.11.5 Particulars of fixed assets without property certificates**

Unit: Yuan

Item	Book value	Reason for not receiving the property certificate
Industrial Production Center of the R&D Company	1,733,732,977	Under transaction
Dormitory Building, Main Building and Reception Building of Chang'an Chateau	280,709,011	Under transaction
European Town, Main Building and Service Building of Beijing Chateau	184,687,307	Under transaction
Main Building of Yantai Chateau Changyu Tinlot	81,685,892	Under transaction
Fermentation Workshop and Wine Storage Workshop of Xinjiang Tianzhu	17,499,421	Under transaction
Office Building and Packaging Workshop of Icewine Valley	9,044,465	Under transaction
Wine-making Workshop of Changyu (Jingyang)	4,017,018	Under transaction
Office Building, Laboratory Building and Workshop of Fermentation Center	3,572,175	Under transaction
Finished Goods Warehouse and Workshop of Kylin Packaging	2,351,511	Under transaction
Office Building of Guangxi Guilin Office and Office Building of Shanxi Datong Office	1,110,076	Under transaction
Total	2,318,409,853	Under transaction

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

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Research, Development & Manufacture Center ("Changyu Wine City Complex")	672,975,492		672,975,492	608,553,617		608,553,617
Construction Project of Chang'an Chateau	17,537,828		17,537,828	39,793,893		39,793,893
Construction Project of Ningxia Chateau	47,371,353		47,371,353	47,163,863		47,163,863
Construction Project of Shihezi	379,517		379,517	23,664,124		23,664,124

Chateau						
Construction Project of Sales Company	19,145,181		19,145,181	17,985,882		17,985,882
Construction Projects of Other Companies	32,463,002		32,463,002	22,135,212		22,135,212
Total	789,872,373		789,872,373	759,296,591		759,296,591

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

Unit: Yuan

Item	Budget	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Other decrease in this period	Ending balance	Proportion of accumulative project input in budget	Accumulative capitalized amount of interest	Including: capitalized amount of interest in this period	Capitalization ratio of interest in this period	Capital source
Changyu Wine City Complex	4,505,780,000	608,553,617	105,008,609	30,903,286	9,683,448	672,975,492	76.60%		16,954,039	1.20% and 4.3%	Loans form financial institutions and self-raised funds
Construction Project of Chang'an Chateau	620,740,000	39,793,893	7,523,270	29,779,335		17,537,828	109.90%				Self-raised funds
Construction Project of Shihezi Chateau	780,000,000	23,664,124	4,615,627	138,172	27,762,062	379,517	96.90%				Self-raised funds
Construction Project of Sales Company	161,350,000	17,985,882	1,262,622	103,323		19,145,181	98.50%				Self-raised funds
Construction Project of Ningxia Chateau	41,415,000	47,163,863	207,490			47,371,353	102.60%				Self-raised funds
Total	6,109,285,000	737,161,379	118,617,618	60,924,116	37,445,510	757,409,371	--	--	16,954,039		--

As at June 30, 2019, there was no indication for impairment of construction in progress of the Group, so no provision for impairment was made.

## 7.13 Productive biological assets

### 7.13.1 Productive biological assets by cost measurement method

Unit: Yuan

Item	Plantation		Total
	Immature	Mature	
I Original book value			
1. Beginning balance	13,837,608	235,246,042	249,083,650
2. Increase in this period	-4,798,454	9,593,745	4,795,291
2.1 Outsourcing			
2.2 Self cultivation	2,388,310	2,406,981	4,795,291
The immature turn to the mature	-7,186,764	7,186,764	
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance	9,039,154	244,839,787	253,878,941
II Accumulated depreciation			
1. Beginning balance		39,817,277	39,817,277
2. Increase in this period		6,448,225	6,448,225
2.1 Accrual		6,448,225	6,448,225
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance		46,265,502	46,265,502
III Impairment provision			
1. Beginning balance			
2. Increase in this period			
2.1 Accrual			
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance			
IV Book value			
1. Ending book value	9,039,154	198,574,285	207,613,439
2. Beginning book value	13,837,608	195,428,765	209,266,373

As at June 30, 2019, no ownership of the biological assets was restricted.

As at June 30, 2019, there was no indication for impairment of biological assets of the Group, so no provision was made.

## 7.14 Intangible assets

### 7.14.1 Particulars of intangible assets

Unit: Yuan

Item	Land use right	Software use right	Trademark	Total
I Original book value				
1. Beginning balance	528,252,911	75,822,057	170,068,735	774,143,703
2. Increase in this period	16,176	107,993		124,169
2.1 Acquisition	16,176	107,993		124,169
2.2 Internal R&D				
2.3 Business merger increase				
3. Decrease in this period				
3.1 Disposal				
4. Ending balance	528,269,087	75,930,050	170,068,735	774,267,872
II Accumulated amortization				
1. Beginning balance	78,070,910	26,722,815	13,876,519	118,670,244
2. Increase in this period	5,231,260	3,185,493	21,989	8,438,742
2.1 Accrual	5,231,260	3,185,493	21,989	8,438,742
3. Decrease in this period				
3.1 Disposal				
4. Ending balance	83,302,170	29,908,308	13,898,508	127,108,986
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal				
4. Ending balance				
IV Book value				
1. Ending book value	444,966,917	46,021,742	156,170,227	647,158,886



2. Beginning book value	450,182,001	49,099,242	156,192,216	655,473,459
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As at June 30, 2019, the net value of the intangible assets with ownership restrictions was RMB 215,282,924 Yuan (December 31, 2018: RMB 218,070,414 Yuan). Please refer to Note 7.51 for details.

#### 7.14.2 Particulars of land use right of that not receiving the property certificate

Nil

#### 7.15 Goodwill

Unit: Yuan

Name of the invested unit or matter forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed by business merger	Other	Disposal	Other	
Etablissements Roulet Fransac (“Roulet Fransac”)	13,112,525					13,112,525
Dicot Partners, S.L (“Atrio Group”)	92,391,901					92,391,901
Societe Civile Agricole Du Chateau De Mirefleurs (“Mirefleurs”)	15,761,440					15,761,440
Indomita Wine Company Chile, SpA	6,870,115					6,870,115
Kilikanoon Estate, Australia	37,063,130					37,063,130
Total	165,199,111					165,199,111

#### 7.16 Long-term unamortized expenses

Unit: Yuan

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease	Ending balance
Land lease fees	54,217,763		1,073,811		53,143,952
Land acquisition fees	43,427,739		215,293		43,212,446
Afforestation fees	141,224,472	9,683,449	4,615,467		146,292,454
Renovation costs	775,647	27,762,062	476,300		28,061,409

Other	4,994,795	1,134,446	281,791		5,847,450
Total	244,640,416	38,579,957	6,662,662		276,557,711

Remarks: The amount transferred to long-term unamortized expenses from construction in progress was RMB 38,234,356 Yuan.

## 7.17 Deferred income tax assets/liabilities

### 7.17.1 Un-offset deferred income tax assets

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Unrealized profits from inter-company transactions	383,079,453	95,769,863	602,476,583	150,619,145
Unpaid bonus	107,118,804	26,808,863	141,808,257	35,485,814
Dismission welfare	21,108,526	5,277,132	26,186,243	6,546,561
Asset impairment provision	23,672,354	5,918,088	24,683,226	6,170,807
Deductible loss	326,241,084	83,564,280	262,937,999	67,566,387
Deferred income	78,596,149	17,132,928	86,227,293	18,868,963
Asset valuation impairment	649,811	175,449	661,415	178,582
Total	940,466,181	234,646,603	1,144,981,016	285,436,259

### 7.17.2 Un-offset deferred income tax liabilities

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets appraisal appreciation in business merger under non-common control	69,392,888	18,629,612	81,338,130	22,010,647
Total	69,392,888	18,629,612	81,338,130	22,010,647

### 7.17.3 Details of unconfirmed deferred income tax assets

Unit: Yuan

Item	Ending balance	Beginning balance
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Deductible temporary difference		
Deductible loss	157,722,738	171,430,831
Total	157,722,738	171,430,831

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

Unit: Yuan

Year	Ending sum	Beginning sum	Remark
2020	45,960,766	45,960,766	
2021	82,685,213	82,685,213	
2022	14,362,787	14,362,787	
2023	6,987,182	21,110,792	
2024	7,726,790		
Total	157,722,738	164,119,558	--

### 7.18 Short-term loans

#### 7.18.1 Classification of short-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	65,507,517	79,467,832
Guaranteed loan	7,145,835	3,331,870
Fiduciary loan	605,517,315	605,202,708
Total	678,170,667	688,002,410

As at June 30, 2019, the mortgage loans referred to a loan of factoring business for accounts receivable of EUR 3,982,860 (equivalent to RMB 31,134,017 Yuan) that Hacienda y Vinedos Marques del Atrio, S.L.U. (“Marques del Atrio”) transacted in such banks as Banco de Sabadell, S.A. (December 31, 2018: RMB 52,015,032 Yuan), a loan of USD 5,000,000 (equivalent to RMB 34,373,500 Yuan) that Indomita Wine Company Chile, SpA borrowed from BBVA bank by mortgage of its fixed assets of CLP 2,931,854,000 (equivalent to RMB 29,904,911 Yuan) (December 31, 2018: RMB 27,452,800 Yuan). The guaranteed loan referred to a loan borrowed by the Company from Australia & New Zealand Banking with a guarantee for Kilikanoon Estate, Australia of AUD 1,483,893 (equivalent to RMB 7,145,835 Yuan) (December 31, 2018: RMB 3,331,870 Yuan).

**7.19 Accounts payable****7.19.1 List of accounts payable**

Unit: Yuan

Item	Ending balance	Beginning balance
Trade accounts payable	539,459,878	713,572,881
Total	539,459,878	713,572,881

**7.19.2 Explanation of significant accounts payable aged more than one year**

As at June 30, 2019, there were no significant accounts payable aged more than one year.

**7.20 Advances from customers****7.20.1 List of advances from customers**

Unit: Yuan

Item	Ending sum	Beginning sum
Advances from customers	177,549,080	226,075,244
Total	177,549,080	226,075,244

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

As at June 30, 2019, the Company had no advances from customers of significant amount aged more than one year.

**7.21 Employee remunerations payable****7.21.1 List of employee remunerations payable**

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Short-term remuneration	185,893,109	214,884,524	245,100,514	155,677,119
2. Post-employment welfare – defined contribution plan	224,865	27,605,713	27,149,855	680,723
3. Dismissal welfare	26,186,243	1,310,247	6,387,964	21,108,526
4. Other welfare due within one year				
Total	212,304,217	243,800,484	278,638,333	177,466,368

**7.21.2 List of short-term remunerations**

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Salaries, bonuses, allowances and subsidies	187,685,990	188,388,623	215,640,569	160,434,044
2. Staff welfare	3,014,288	4,969,229	7,875,107	108,410
3. Social insurance charges	461,095	14,314,931	14,435,562	340,464
Including: Medical insurance	460,440	12,510,735	12,656,526	314,649
Injury insurance	655	914,251	889,091	25,815
Maternity insurance		889,945	889,945	
4. Housing fund	52,510	6,147,006	6,191,272	8,244
5. Union fee and staff education fee	1,914,079	1,064,735	1,033,635	1,945,179
6. Short-term compensated				
7. Short-term profit-sharing plan				
Minus: Those divided into non-current assets	7,234,853		75,631	7,159,222
Total	185,893,109	214,884,524	245,100,514	155,677,119

**7.21.3 List of defined contribution plan**

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic endowment insurance	224,533	26,914,033	26,457,843	680,723
2. Unemployment insurance	332	691,680	692,012	
3. Enterprise annuity payment				
Total	224,865	27,605,713	27,149,855	680,723

**7.21.4 Dismissal welfare**

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Compensation for sever of labor relation		1,275,387	1,275,387	-
2. Compensation for early retirement	26,186,243	34,860	5,112,577	21,108,526

Item	Beginning balance	Increase	Decrease	Ending balance
Total	26,186,243	1,310,247	6,387,964	21,108,526

## 7.22 Taxes and dues payable

Unit: Yuan

Item	Ending balance	Beginning balance
Value added tax	28,114,274	36,442,868
Consumption tax	9,089,447	28,636,646
Corporate income tax	59,137,357	40,869,507
Individual income tax	276,031	5,669,099
Urban maintenance and construction tax	2,407,009	4,337,712
Property tax	5,406,700	5,165,128
Urban land use tax	2,255,344	2,476,527
Other	2,314,640	5,315,303
Total	109,000,802	128,912,790

## 7.23 Other payables

Unit: Yuan

Item	Ending balance	Beginning balance
Interest payable	2,669,667	712,826
Dividends payable	412,646,375	
Other payables	562,350,965	607,767,064
Total	977,667,007	608,479,890

Remarks: Other payables in the above list refer to the payables after deducting interest payable and dividends payable.

### 7.23.1 Interest payable

Unit: Yuan

Item	Ending balance	Beginning balance
Interest of long-term loans with interest paid by installment and principal paid on maturity		
Interest of corporate bonds		
Interest payable of short-term loans	2,669,667	712,826
Interest of preferred shares\ perpetual bonds divided into financial liabilities		

Item	Ending balance	Beginning balance
Other		
Total	2,669,667	712,826

### 7.23.2 Dividends payable

Unit: Yuan

Item	Ending balance	Beginning balance
Ordinary stock dividends	411,278,400	
Preferred stock dividends/sustainable debt dividends divided into equity instruments		
Other	1,367,975.00	
Total	412,646,375.00	

### 7.23.3 Other payables

#### 7.23.3.1 Other payables listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
Dealer's deposit payable	166,741,693	159,191,138
Equipment purchase and construction costs payable	93,902,789	152,825,734
Transportation charges payable	15,579,562	38,867,725
Trademark use fees payable for Changyu Group Company		78,414,978
Advertisement marketing expenses payable	209,606,196	96,429,861
Employee cash deposit	869,282	2,806,766
Supplier's deposit payable	18,732,029	15,901,210
Contracting fees payable	19,130,850	27,070,584
Other	37,788,564	36,259,068
Total	562,350,965	607,767,064

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

Unit: Yuan

Item	Ending balance	Cause of unpayment or carry-over
Beijing Qinglang Ecological Agriculture	3,513,506	The contracting fees haven't been settled

Technology Development Co., Ltd. (“Beijing Qinglang”)		
VASF Company	4,878,866	The contracting fees haven’t been settled
Total	8,392,372	--

## 7.24 Non-current liabilities due within one year

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term loans due within one year	146,362,314	118,940,788
Bonds payable due within one year		
Long-term accounts payable due within one year	34,000,000	34,000,000
Lease liabilities due within one year		
Total	180,362,314	152,940,788

## 7.25 Other current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Short-term bonds payable		
Refunds payable		
Deferred income	14,545,254	15,860,254
Total	14,545,254	15,860,254

## 7.26 Long-term loans

### 7.26.1 Classification of long-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	3,529,655	3,924,916
Guaranteed loan	98,156,000	110,750,000
Fiduciary loan	64,263,595	41,805,746
Total	165,949,250	156,480,662

Description of the classification of long-term loans:

Unit: Yuan



Item	Ending balance	Long-term loan due within one year	Long-term loan due over one year
Pledge loan			
Mortgage loan	6,616,377	3,086,722	3,529,655
Guaranteed loan	116,906,000	18,750,000	98,156,000
Fiduciary loan	188,789,187	124,525,592	64,263,595
Total	312,311,564	146,362,314	165,949,250

As at June 30, 2019, the guaranteed loan referred to the long-term loan of RMB 68,750,000 Yuan borrowed by the Company for the R&D Company by means of credit guarantee (December 31, 2018: 81,250,000 Yuan), which was borrowed from Australia & New Zealand Banking by the Company for Kilikanoon Estate, Australia of AUD 10,000,000 (equivalent to RMB 48,156,000 Yuan) (December 31, 2018: 48,250,000 Yuan). The mortgage loan referred to the loan of EUR 678,868 (equivalent to RMB 5,306,710 Yuan) borrowed from Popular Español by Marques del Atrio by mortgaging its fixed assets of EUR 2,900,925 (equivalent to RMB 22,676,531 Yuan) (December 31, 2018: RMB 6,749,944 Yuan). Kilikanoon Estate, Australia borrowed a loan of AUD 271,963 (equivalent to RMB 1,309,667 Yuan) by pledging its fixed assets of AUD 503,163 (equivalent to RMB 2,423,032 Yuan) from NAB bank (December 31, 2018: RMB 48,250,000 Yuan).

## 7.27 Long-term accounts payable

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

Unit: Yuan

Item	Ending balance	Beginning balance
China Agricultural Development Key Construction Fund	201,000,000	225,000,000
Total	201,000,000	225,000,000

In 2016, Agricultural Development Fund invested RMB 305,000,000 Yuan in the Research, Development & Manufacture Company, accounting for 37.9% of the registered capital. According to the investment agreement, it is agreed that Agricultural Development Fund will take back the investment fund in ten years and obtain fixed income according to year, which is 1.2% of the remaining principal. Except for the above fixed income, the Agricultural Development Fund shall not enjoy other profits of the Research, Development & Manufacture Company or bear the losses of the Research, Development & Manufacture Company. Accordingly, the investment of the Agricultural Development Fund in the Research, Development & Manufacture Company is equity investment nominally, which is debt investment (finance discount interest loan) in deed. The Group included the investment of the Agricultural Development Fund in long-term accounts payable measured by amortized cost. From January to June 2019, the Group gave back the principal of RMB 24,000,000 Yuan. Refer to Note 7.51 for details of mortgaged and pledged assets.

Unit: Yuan

Balance of long-term accounts payable	Long-term accounts payable due within one year	Long-term accounts payable due in one year later
235,000,000	34,000,000	201,000,000

## 7.28 Deferred income

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Forming reason
Governmental subsidy	86,227,293	4,465,398	12,096,542	78,596,149	
Minus: Those included in current liabilities	15,860,254		1,315,000	14,545,254	
Non-current liabilities	70,367,039	4,465,398	10,781,542	64,050,895	--

## Projects related to governmental subsidy

Unit: Yuan

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Amount included in other income in this period	Amount offset the cost expenses	Other changes	Ending balance	Related to assets/income
Grape bulk wine brewing project	3,304,500			717,450			2,587,050	Related to assets
Reward for investment in fixed assets of Chateau Shihezi project	6,996,600			1,140,000			5,856,600	Related to assets
Industrial revitalization and technical transformation project in Xinjiang	15,642,000			711,000			14,931,000	Related to assets
Special subsidy for	4,240,000			530,000			3,710,000	Related to assets

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Amount included in other income in this period	Amount offset the cost expenses	Other changes	Ending balance	Related to assets/income
supporting infrastructure								
Tourism development fund subsidy project	500,000						500,000	Related to income
Construction project of grape brewing production capacity (Huanren)	3,200,000			200,000			3,000,000	Related to assets
Electronic traceability system project of wine	2,525,257			333,527			2,191,730	Related to assets
Wine industry development project	558,000			93,000			465,000	Related to assets
Peninsula blue economic zone construction project	6,000,000			1,000,000			5,000,000	Related to assets
Technical transformation project of information-based system construction engineering	2,900,000			290,000			2,610,000	Related to assets
Cross-border e-commerce project	880,256			67,114			813,142	Related to income
Fund for water pollution treatment project	206,530			56,801			149,729	Related to income
Infrastructure construction project	1,718,750			62,500			1,656,250	Related to assets
Supporting fund for industrial development	32,800,000			2,050,000			30,750,000	Related to assets
Subsidy for economic and energy-saving technical transformation project	1,026,400			64,150			962,250	Related to assets
Special fund for	1,639,000			81,000			1,558,000	Related to assets

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Amount included in other income in this period	Amount offset the cost expenses	Other changes	Ending balance	Related to assets/income
efficient water-saving irrigation project								
Guiding fund for the development of service industry	2,000,000	4,200,000		4,700,000			1,500,000	Related to income
Subsidy for boiler renovation and demolition	90,000						90,000	Related to income
Subsidy for mechanical development		265,398					265,398	Related to assets
Total	86,227,293	4,465,398		12,096,542			78,596,149	
Minus: Those included in current liabilities	15,860,254			1,315,000			14,545,254	
Non-current liabilities	70,367,039	4,465,398		10,781,542			64,050,895	

## 7.29 Other non-current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Employee remunerations payable	7,159,222	7,234,853
Total	7,159,222	7,234,853

As at June 30, 2019, the employee remunerations payable referred to the job security deposit deducted from the year-end bonus of the employees higher than sales manager of the Company in proportion, which will be paid from 2020 to 2022 as predicted.

## 7.30 Share capital

Unit: Yuan

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

				fund			
Total shares	685,464,000						685,464,000

### 7.31 Capital reserves

Unit: Yuan

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

### 7.32 Other comprehensive income

Unit: Yuan

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount incurred before income tax in this period	Minus: amount included in other comprehensive income before and transferred to profit or loss in this period	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Other comprehensive income not to be reclassified into profit and loss later							
Including: change in net liabilities and net assets from recalculated defined benefit plan							
Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law							
2. Other comprehensive income to be reclassified into profit and loss later	2,965,377	-4,657,291			-3,060,721	-1,596,570	-95,344
Including: share enjoyed in other comprehensive income to be reclassified into profit and loss in							

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount incurred before income tax in this period	Minus: amount included in other comprehensive income before and transferred to profit or loss in this period	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
invested unit under equity law							
Profit and loss from changes in fair value of financial assets for sale							
Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale							
Effective part of profit and loss of cash-flow hedge							
Difference in translation of Foreign Currency Financial Statement	2,965,377	-4,657,291			-3,060,721	-1,596,570	-95,344
Total other comprehensive income	2,965,377	-4,657,291			-3,060,721	-1,596,570	-95,344

### 7.33 Surplus reserves

Unit: Yuan

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

### 7.34 Undistributed profit

Unit: Yuan

Item	Ending balance	Beginning balance
Undistributed profit at the end of prior period before adjustment	8,008,982,547	7,309,081,618
Total Undistributed profit at the beginning of the period before adjustment (increase listed with+, and decrease listed with -)	-3,278,942	
Undistributed profit at the beginning of the period after adjustment	8,005,703,605	7,309,081,618
Plus: Net profit for owner of the parent company	603,403,789	1,042,632,929
Minus: Drawn legal surplus		
Drawn free surplus		
Drawn common risk provision		
Common dividend payable	411,278,400	342,732,000
Common dividend transferred to share capital		
Undistributed profit at the end of period	8,197,828,994	8,008,982,547

### 7.35 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	2,541,459,605	927,958,197	2,818,814,912	969,407,949
Other business	16,815,180	8,294,028	9,415,152	5,149,343
Total	2,558,274,785	936,252,225	2,828,230,064	974,557,292

### 7.36 Taxes and surcharges

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Consumption tax	68,699,658	97,343,463
Urban maintenance and construction tax	18,763,626	23,778,056
Education surcharges	13,670,717	17,417,976
Building tax	14,184,915	16,878,556
Land use tax	5,478,045	6,013,248
Stamp duty	1,504,356	2,247,814
Other	1,249,531	1,597,138
Total	123,550,848	165,276,251

**7.37 Selling expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Marketing expenses	268,185,487	326,942,076
Employee remunerations	130,725,779	139,247,494
Transportation expenses	53,735,626	67,177,736
Trademark use fees		43,363,867
Storage and lease expenses	24,274,917	19,857,616
Depreciation expenses	20,476,637	21,735,895
Advertisement expenses	26,920,257	23,574,432
Conference expenses	8,945,999	9,319,883
Design & production expenses	2,365,761	2,457,300
Service charges	11,484,614	12,459,237
Travel expenses	11,822,548	10,886,711
Water, electricity and gas charges	7,697,325	7,166,936
Office & postage costs	2,801,706	2,349,806
Packing expenses	3,971,486	3,873,287
Public security & clean-keeping expenses	2,214,479	2,336,546
Business entertainment expenses	1,763,307	1,995,516
Other	14,584,873	15,914,695
<b>Total</b>	<b>591,970,801</b>	<b>710,659,033</b>

**7.38 Management expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Employee remunerations	62,572,295	60,660,238
Depreciation expenses	31,887,697	35,410,914
Contracting expenses	7,178,106	7,178,106
Repair expenses	8,253,897	7,076,148
Office expenses	10,177,651	10,977,189
Amortization expenses	7,677,849	9,520,182
Afforestation fees	7,682,946	6,493,556
Safe production costs	2,357,016	2,422,526
Rental expenses	4,766,202	5,061,778



Business entertainment expenses	2,631,383	2,815,060
Public security & clean-keeping expenses	3,356,435	3,953,646
Travel expenses	2,971,468	2,139,939
Other	4,039,367	4,255,600
<b>Total</b>	<b>155,552,312</b>	<b>157,964,882</b>

### 7.39 R&D expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
R&D expenses	2,706,811	2,127,006
<b>Total</b>	<b>2,706,811</b>	<b>2,127,006</b>

### 7.40 Financial expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Interest expenditure	9,812,560	18,739,528
Minus: Interest income	4,606,417	7,245,870
Plus: Commission charges	1,271,831	3,005,483
Exchange gain or loss	2,311,609	-1,413,199
<b>Total</b>	<b>8,789,583</b>	<b>13,085,942</b>

### 7.41 Other income

Unit: Yuan

Source of other income	Amount incurred in this period	Amount incurred in prior period
Supporting fund for industrial development	2,050,000	2,050,000
Industrial revitalization and technical transformation project in Ningxia		1,086,000
Reward for investment in fixed assets	1,140,000	1,140,000
Special fund for construction of peninsula blue economic zone	1,000,000	1,000,000
Other	3,082,627	4,012,100
Special fund for supporting corporate development	51,633,350	15,011,673
Other	5,305,915	13,683,105

Source of other income	Amount incurred in this period	Amount incurred in prior period
Total	64,211,892	37,982,878

#### 7.42 Loss on impairment of credit

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Loss on bad debts of accounts receivable	-765,935	
Total	-765,935	

#### 7.43 Loss on impairment of assets

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
1. Loss on bad debts		
2. Inventory falling price loss	6,148,729	4,730,948
3. Loss on impairment of available-for-sale financial assets		
4. Loss on impairment of held-to maturity investment		
5. Loss on impairment of long-term equity investment		
6. Loss on impairment of investment real estate		
7. Loss on impairment of fixed assets		
8. Loss on impairment of engineering materials		
9. Loss on impairment of construction in progress		
10. Loss on impairment of productive biological assets		
11. Loss on impairment of oil and gas assets		
12. Loss on impairment of intangible assets		
13. Loss on impairment of goodwill		
14. Other		
Total	6,148,729	4,730,948

#### 7.44 Income from asset disposal

Unit: Yuan

Source of income from asset disposal	Amount incurred in this period	Amount incurred in prior period
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Income from disposal of fixed assets	1,138	93,958
Total	1,138	93,958

## 7.45 Non-operating income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Gains on debt recombination			
Gains on exchange of non-monetary assets			
Grains on donations			
Governmental subsidy			
Other	3,575,914	2,006,392	3,575,914
Total	3,575,914	2,006,392	3,575,914

## 7.46 Non-operating expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Loss on debt recombination			
Loss on exchange of non-monetary assets			
Donation			
Fine, penalty and overdue fine paid due to violation of laws and regulations	10,811	1,187,713	10,811
Other	153,239	204,649	153,239
Total	164,050	1,392,362	164,050

## 7.47 Income tax expenses

### 7.47.1 List of income tax expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior
Current income tax expenses	161,779,976	178,993,081
Deferred income tax expenses	48,501,602	32,986,654
Total	210,281,578	211,979,735

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

Unit: Yuan

Item	Amount incurred in this
Total profit	812,459,893
Income tax expenses calculated according to the legal/applicable tax rate	203,114,973
Influence of different tax rates applicable to subsidiary	-66,516
Influence of income tax in the term before adjustment	3,082,397
Influence of nontaxable income	
Influence of non-deductible costs, expenses and losses	2,219,026
Influence of deductible loss from use of unconfirmed deferred income tax assets in prior period	
Influence of deductible temporary difference or deductible loss of unconfirmed deferred income tax assets in this period	1,931,698
Income tax expense	210,281,578

**7.48 Other comprehensive income**

Refer to Note 7.32 for details.

**7.49 Items of cash flow statement****7.49.1 Other cash received related to operating activities**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Governmental subsidy income	62,580,748	33,687,978
Interest income	2,835,438	3,302,294
Net amercement income	1,225,511	1,609,829
Other	1,143,923	3,742,920
Total	67,785,620	42,343,021

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

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Selling expenses	348,849,996	387,846,396
Administrative expenses	41,017,612	45,235,101
Other	2,912,859	3,895,589

Total	392,780,467	436,977,086
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### 7.49.3 Other cash received related to financial activities

Unit: Yuan

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

### 7.49.4 Other cash paid related to financial activities

Unit: Yuan

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

## 7.50 Supplementary information to cash flow statement

### 7.50.1 Supplementary information to cash flow statement

Unit: Yuan

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	602,178,315	636,001,737
Plus: Provision for impairment of assets	-5,382,794	-4,730,948
Depreciation of fixed assets, oil-and-gas assets and productive biological assets	155,147,729	148,983,240
Depreciation of right-of-use assets		
Amortization of intangible assets	8,438,742	11,567,301
Amortization of long-term deferred expenses	6,662,662	8,117,444
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with “-”)	-1,138	-93,958

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
Losses on retirement of fixed assets (profit listed with “—”)		
Losses on fair value change (profit listed with “—”)		
Financial costs (profit listed with “—”)	13,987,879	15,048,678
Investment losses (profit listed with “—”)		
Decrease in deferred income tax assets (increase listed with “-”)	50,789,656	37,133,223
Increase of deferred income tax liabilities (decrease listed with “—”)	-3,381,035	-4,146,569
Decrease in inventories (increase listed with “-”)	123,958,750	216,486,236
Decrease in operating receivables (increase listed with “-”)	-172,662,167	-305,623,146
Increase in operating payable (decrease listed with “-”)	-280,260,593	-205,989,766
Other		
Net cash flows from operating activities	499,476,006	552,753,472
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
Debt transferred into assets		
Convertible corporate bond due within 1 year		
Fixed assets under financing lease		
3. Net changes of cash and cash equivalent:	--	--
Ending balance of cash	1,573,727,077	1,428,670,462
Minus: Beginning balance of cash	1,206,860,334	1,180,889,274
Plus: Ending balance of cash equivalent		
Minus: Beginning balance of cash equivalent		
Net increase amount of cash and cash equivalent	366,866,743	247,781,188

### 7.50.2 Composition of cash and cash equivalents

Unit: Yuan

Item	Ending balance	Beginning balance
1. Cash	1,573,727,077	1,428,670,462
Including: Cash on hand	70,198	151,228
Bank deposits on demand	1,573,656,879	1,428,519,234
Other monetary capital on demand		
Due from central bank available for payment		

Due from the industry		
Inter-bank lending		
2. Cash equivalents		
Including: Bond investment due within three months		
3. Balance of cash and cash equivalents at the end of period	1,573,727,077	1,428,670,462
Including: Restricted use of parent company or subsidiaries in the group		

## 7.51 Assets with ownership or use right restrictions

Unit: Yuan

Item	Ending book value	Reason for restriction
Monetary capital	94,466,626	Loan deposit, L/C deposit, frozen balance of Alipay, housing fund and guaranty money for deposit in unit card
Accounts receivable	31,134,017	Pledge of short-term loans
Fixed assets	353,013,613	Pledge of short-term loans, long-term loans and long-term accounts payable
Intangible assets	215,282,924	Pledge of long-term accounts payable
Total	693,897,180	--

## 7.52 Foreign currency monetary items

### 7.52.1 Foreign currency monetary items

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

Unit: Yuan

Item	Ending foreign currency balance	Translation exchange rate	Ending converted RMB balance
Monetary capital	--	--	46,815,034
Including: USD	6,805,498	6.8747	46,785,757
EUR	2,901	7.817	22,677
HKD	7,503	0.8797	6,600

### 7.52.2 Overseas operational entities

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

recording currency. The foreign currency assets or liabilities of overseas subsidiaries are listed as follows:

Unit: Yuan

Item	Ending foreign currency balance	Translation exchange rate	Ending converted RMB balance
Monetary capital	--	--	3,553,711
Including: USD	516,926	6.8747	3,553,711
EUR			
HKD			
Short-term loans	--	--	75,621,700
Including: USD	11,000,000	6.8747	75,621,700
EUR			
HKD			

## 8. Changes in scope of consolidation

Nil

## 9. Equity in other entities

### 9.1 Equity in the subsidiaries

#### 9.1.1 Constitution of enterprise group

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Xinjiang Tianzhu (a)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	60%		Acquired from a business combination under non-common control
Roulet Frasnac	Cognac, France	Cognac, France	Trading		100%	Acquired from a business combination under non-common control
Mirefleurs	Bordeaux, France	Bordeaux, France	Trading		100%	Acquired from a business combination under non-common control
Marques del Atrio	Navarra, Spain	Navarra, Spain	Sales	75%		Acquired from a



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Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
						business combination under non-common control
Indomita Wine	Santiago, Chile	Santiago, Chile	Sales	85%		Acquired by establishment or investment
Kilikanoon Estate, Australia	Adelaide, Australia	Adelaide, Australia	Sales	80%		Acquired from a business combination under non-common control
Beijing Changyu Wine Marketing Co., Ltd. (“Beijing Marketing”)	Beijing City, China	Beijing City, China	Sales	50%	50%	Acquired by establishment or investment
Yantai Kylin Packaging Co., Ltd. (“Kylin Packaging”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	100%		Acquired by establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd. (“Chateau Changyu”) (b)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	70%		Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Co., Ltd. (“Jingyang Wine”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	100%		Acquired by establishment or investment
Yantai Changyu Pioneer Wine Sales Co., Ltd. (“Sales Company”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	100%		Acquired by establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd. (“Langfang Castel”) (c)	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Manufacturing industry	39%	10%	Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Sales Co., Ltd. (“Jingyang Sales”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales	100%		Acquired by establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd. (“Langfang Sales”)	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Sales	100%		Acquired by establishment or investment
Shanghai Changyu Wine Marketing Co., Ltd. (“Shanghai Marketing”)	Shanghai City, China	Shanghai City, China	Sales	30%	70%	Acquired by establishment or investment

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Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Beijing Changyu AFIP Eco-agriculture Development Co., Ltd. (“Eco-agriculture Development”)	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu AFIP Wine Chateau Co., Ltd. (“Beijing Chateau”) (d)	Beijing City, China	Beijing City, China	Manufacturing industry	90%		Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. (“Wine Sales”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer International Wine Co., Ltd. (“Pioneer International”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	70%	30%	Acquired by establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. (“Hangzhou Changyu”)	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100%	Acquired by establishment or investment
Ningxia Growing	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Planting industry	100%		Acquired by establishment or investment
Huanren Changyu National Wine Sales Co., Ltd. (“National Wine”)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Sales	100%		Acquired by establishment or investment
Liaoning Changyu Icewine Valley Co., Ltd. (“Icewine Valley”) (e)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Manufacturing industry	51%		Acquired by establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd. (“Development Zone Trading”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Shenzhen Changyu Wine Marketing Co., Ltd. (“Shenzhen Marketing”)	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Sales		100%	Acquired by establishment or investment
Yantai Fushan District Changyu Trading Co., Ltd. (“Fushan Trading”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu AFIP	Miyun County, Beijing City,	Miyun County, Beijing City,	Service		100%	Acquired by

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Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
International Conference Center Co., Ltd. (“Conference Center”)	China	China	industry			establishment or investment
Beijing Changyu AFIP Tourism and Culture Co., Ltd. (“AFIP Tourism”)	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Tourist industry		100%	Acquired by establishment or investment
Ningxia Wine	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. (“Chateau Tinlot”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Wholesale and retail	65%	35%	Acquired by establishment or investment
Changyu (Qingtongxia) Wine Sales Co., Ltd. (“Qingtongxia Sales”)	Qingtongxia City, Ningxia Hui Autonomous Region, China	Qingtongxia City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Shihezi Chateau	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Ningxia Chateau	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100%		Acquired by establishment or investment
Chateau Changyu Rena Shaanxi Co., Ltd. (“Chang’an Chateau”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	100%		Acquired by establishment or investment
Research, Development & Manufacture Company (f)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	68%		Acquired by establishment or investment
Changyu (Huanren) Pioneer Wine Co., Ltd. (“Huanren Wine”)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Wine-making project preparation	100%		Acquired by establishment or investment
Xinjiang Changyu Wine Sales Co., Ltd. (“Xinjiang Sales”)	Xinjiang Uygur Autonomous Region, China	Xinjiang Uygur Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Ningxia Changyu Trading Co., Ltd. (“Ningxia Trading”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd.	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100%	Acquired by establishment or investment

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Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
("Shaanxi Sales")						investment
Penglai Changyu Wine Sales Co., Ltd. ("Penglai Wine")	Penglai City, Shandong Province, China	Penglai City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Laizhou Changyu Wine Sales Co., Ltd. ("Laizhou Sales")	Laizhou City, Shandong Province, China	Laizhou City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Francs Champs Participations SAS	Cognac, France	Cognac, France	Investment trade	100%		Acquired by establishment or investment
Lanzhou Changyu Wine Marketing Co., Ltd. ("Lanzhou Marketing")	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu Trading Co., Ltd. ("Beijing Trading")	Beijing City, China	Beijing City, China	Sales		100%	Acquired by establishment or investment
Tianjin Changyu Pioneer Wine Sales Co., Ltd. ("Tianjin Pioneer")	Tianjin City, China	Tianjin City, China	Sales		100%	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. ("Fuzhou Pioneer")	Fuzhou City, Fujian Province, China	Fuzhou City, Fujian Province, China	Sales		100%	Acquired by establishment or investment
Nanjing Changyu Pioneer Wine Co., Ltd. ("Nanjing Pioneer")	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Sales		100%	Acquired by establishment or investment
Xianyang Changyu Pioneer Wine Sales Co., Ltd. ("Xianyang Pioneer")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100%	Acquired by establishment or investment
Shenyang Changyu Pioneer Wine Co., Ltd. ("Shenyang Pioneer")	Shenyang City, Liaoning Province, China	Shenyang City, Liaoning Province, China	Sales		100%	Acquired by establishment or investment
Jinan Changyu Pioneer Wine Co., Ltd. ("Jinan Pioneer")	Jinan City, Shandong Province, China	Jinan City, Shandong Province, China	Sales		100%	Acquired by establishment or investment
Shanghai Changyu Pioneer Wine Co., Ltd. ("Shanghai Pioneer")	Shanghai City, China	Shanghai City, China	Sales		100%	Acquired by establishment or investment
Fuzhou Changyu Pioneer	Fuzhou City, Jiangxi	Fuzhou City, Jiangxi Province,	Sales		100%	Acquired by

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Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Wine Co., Ltd. (“Fuzhou Pioneer”)	Province, China	China				establishment or investment
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd. (“Shijiazhuang Pioneer”)	Shijiazhuang City, Hebei Province, China	Shijiazhuang City, Hebei Province, China	Sales		100%	Acquired by establishment or investment
Hangzhou Yuzefeng Trading Co., Ltd. (“Hangzhou Yuzefeng”)	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100%	Acquired by establishment or investment
Jilin Changyu Pioneer Wine Co., Ltd. (“Jilin Pioneer”)	Changchun City, Jilin Province, China	Changchun City, Jilin Province, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu Pioneer Wine Sales Co., Ltd. (“Beijing Pioneer”)	Beijing City, China	Beijing City, China	Sales		100%	Acquired by establishment or investment
Harbin Changyu Pioneer Wine Sales Co., Ltd. (“Harbin Pioneer”)	Harbin City, Heilongjiang Province, China	Harbin City, Heilongjiang Province, China	Sales		100%	Acquired by establishment or investment
Hunan Changyu Pioneer Wine Co., Ltd. (“Hunan Pioneer”)	Changsha City, Hunan Province, China	Changsha City, Hunan Province, China	Sales		100%	Acquired by establishment or investment
Yinchuan Changyu Pioneer Wine Co., Ltd. (“Yinchuan Pioneer”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Kunming Changyu Pioneer Wine Co., Ltd. (“Kunming Pioneer”)	Kunming City, Yunnan Province, China	Kunming City, Yunnan Province, China	Sales		100%	Acquired by establishment or investment
Chongqing Changyu Pioneer Wine Sales Co., Ltd. (“Chongqing Pioneer”)	Chongqing City, China	Chongqing City, China	Sales		100%	Acquired by establishment or investment
Wuhan Changyu Pioneer Wine Co., Ltd. (“Wuhan Pioneer”)	Wuhan City, Hubei Province, China	Wuhan City, Hubei Province, China	Sales		100%	Acquired by establishment or investment
Hohhot Changyu Pioneer Wine Co., Ltd. (“Hohhot Pioneer”)	Hohhot City, Inner Mongolia Autonomous Region, China	Hohhot City, Inner Mongolia Autonomous Region, China	Sales		100%	Acquired by establishment or investment
Chengdu Changyu Pioneer Wine Co., Ltd. (“Chengdu Pioneer”)	Chengdu City, Sichuan Province, China	Chengdu City, Sichuan Province, China	Sales		100%	Acquired by establishment or investment

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

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

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

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

(c) Langfang Castel is a Sino-foreign joint venture established by the Company and a foreign

investor, whose 49% of the shares are held by the Company and its subsidiaries. The Company exercises full control over the operation, investment and financing policies of Langfang Castel by contract arrangement. The contract arrangement expired on December 31, 2017. After the expiration of the contract arrangement, the minority shareholders of Langfang Castel normally enjoy/undertake all rights/duties of the shareholders agreed in the Articles of Association of the Company.

(d) Beijing Chateau is a limited liability company jointly established by the Company and Yantai De'an and Beijing Qinglang, in which the Company holds 90% of the shares. The Company exercises full control over the operation, investment and financing policies of Beijing Chateau by contract arrangement. The contract arrangement will expire on September 2, 2019.

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

(f) The Research, Development & Manufacture Company is a joint venture established by the Company and Agricultural Development Fund, whose 68% of the shares were held by the Company on June 30, 2019. As stated in Note 7.27, the Company exercises full control over the operation, investment and financing policies of the Research, Development & Manufacture Company by contract arrangement. The contract arrangement will expire on May 22, 2026. Up to June 30, 2019, the remaining investment of the Agricultural Development Fund accounted for 32% of the registered capital.

### 9.1.2 Important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Shareholding proportion of minority shareholders	Profit/loss attributable to minority shareholders in this period	Dividend declared to be distributed to minority shareholders in this period	Balance of minority shareholder's interest at the end of period
Xinjiang Tianzhu	40%	-1,200,628		49,412,020
Marques del Atrio	25%	464,844	1,367,975	29,878,944
Changyu Chateau	30%			12,365,016
Langfang Castel	51%	-752,237		20,175,744
Beijing Chateau	10%			65,133,868
Icewine Valley	49%			33,319,062
Indomita Wine	15%	564,376		53,709,304
Kilikanoon Estate,	20%	-301,829		16,204,035

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

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

Unit: Yuan

Name of subsidiary	Ending balance						Beginning balance					
	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	26,891,774	64,187,998	91,079,771	-169,932	5,336,114	5,166,181	27,390,495	66,486,795	93,877,290		5,336,114	5,336,114
Changyu Chateau	126,947,614	113,877,340	240,824,954	163,176,906		163,176,906	141,298,023	114,694,168	255,992,191	171,869,662		171,869,662
Langfang Castel	16,966,616	15,672,549	32,639,165	4,033,546		4,033,546	17,659,511	16,001,682	33,661,193	3,358,322		3,358,322
Beijing Chateau	228,256,490	458,433,952	686,690,442	45,912,267		45,912,267	219,973,582	461,115,089	681,088,671	62,598,545		62,598,545
Icewine Valley	61,748,346	23,105,860	84,854,207	31,627,378	100,000	31,727,378	45,194,591	23,920,890	69,115,481	14,974,458	100,000	15,074,458
Marques del Atrio	407,617,465	92,937,395	500,554,860	304,115,810	72,890,389	377,006,198	464,421,130	99,080,668	563,501,798	381,659,315	54,520,937	436,180,252
Indomita Wine	210,503,095	295,300,215	505,803,310	138,985,158	4,861,038	143,846,196	214,784,490	300,969,342	515,753,832	148,359,328	4,976,161	153,335,489
Kilikanoon Estate, Australia	82,656,715	64,415,130	147,071,845	12,813,137	52,227,853	65,040,990	87,634,707	63,759,866	151,394,573	13,387,942	51,893,171	65,281,113

Unit: Yuan

Name of subsidiary	Amount incurred in this period				Amount incurred in prior period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Xinjiang Tianzhu		-3,001,571	-1,297,212	-417,462	18,803	-184,572	-184,572	10,284,801
Changyu Chateau	24,470,842	-2,189,871	-686,874	6,946,282	43,226,910	2,861,474	2,861,474	2,419,427
Langfang		-1,474,975	-821,013	25,801	5,038,281	-1,952,954	-1,952,954	-4,435,022



Castel								
Beijing Chateau	90,339,526.00	12,711,985	22,752,823	9,667,568	78,502,666	15,243,700	15,243,700	12,282,145
Icewine Valley	19,763,387.00	-1,986,710	-754,056	1,903,734	27,305,133	905,396	905,396	2,018,740
Marques del Atrio	129,064,457	1,859,381	-4,084,674	-23,846,960	148,197,893	1,214,012	-929,332	-21,783,821
Indomita Wine	86,818,838	3,762,504	1,880,687	-1,725,571	93,719,341	-281,859	-4,460,814	-7,723,684
Kilikanoon Estate, Australia	22,852,809	-1,509,147	-4,011,458	1,024,962	25,904,401	-115,317	-3,779,883	-1,469,903

## 10. Risks related to financial instruments

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

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

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

timely and reliably to control the risks within a defined scope.

## 10.1 Risk management objective and policy

### 10.1.1 Market risk

#### ① Foreign exchange risk

Foreign exchange risk refers to the risk that causes loss due to exchange rate fluctuation. The foreign exchange risk borne by the Group is mainly relevant to EUR and USD. Except that the overseas subsidiaries of the Group purchase and sell in EUR, Chilean peso and AUD, which borrow in USD, and domestic subsidiaries deposit in EUR and USD, other main business activities of the Group are priced and settled in RMB. As at June 30, 2019, except that the assets and liabilities mentioned in the table below were the balance of deposits or loans shown in foreign currencies, other assets and liabilities of the entities of the Group were settled in their respective functional currencies.

Unit: Yuan

Item	Ending balance	Beginning balance
Monetary capital (EUR)	22,677	199,753
Monetary capital (USD)	50,339,468	51,283,910
Short-term loans (USD)	75,621,700	75,495,200

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

#### Sensitivity analysis of foreign exchange risk

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

Domestic entities:

Unit: Yuan

Item	Exchange rate fluctuation	This period	
		Influence on profit in this period	Influence on shareholders' equity
EUR	5% appreciation against RMB	1,134	1,134
EUR	5% depreciation against RMB	-1,134	-1,134
USD	5% appreciation against RMB	2,339,288	2,339,288
USD	5% depreciation against RMB	-2,339,288	-2,339,288

Overseas entities:

Unit: Yuan

Item	Exchange rate fluctuation	This period	
		Influence on profit in this period	Influence on shareholders' equity
USD	5% appreciation against EUR	10,250	10,250
USD	5% depreciation against EUR	-10,250	-10,250
USD	10% appreciation against CLP	-115,086	-115,086
USD	10% depreciation against CLP	115,086	115,086

Note: As at June 30, 2019, the management of the Group predicted that EUR and USD exchange rate against RMB, and USD exchange rate against EUR changed by 5%; and USD exchange rate against CLP changed by 15%.

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

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

### Sensitivity analysis of interest rate risk

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

The management of the Group thinks that the interest rate risk of deposit in bank borne by the Group

is not significant, and therefore the sensitivity analysis of interest rate of deposit in bank is not disclosed here.

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

Unit: Yuan

Item	Interest rate change	This period	
		Influence on profit of this period	Influence on shareholders' equity
Bank loan	Increase by 50 BP	-323,958	-323,958
Bank loan	Decrease by 50 BP	323,958	323,958

Note: As at June 30, 2019, the management of the Group predicted that the bank floating rate changed by 50 basis points

### 10.1.2 Credit risk

As at June 30, 2019, the largest credit risk exposure possibly causing the financial loss of the Group was mainly caused by the loss generated by the financial assets of the Group due to failure of another party of the contract in fulfilling obligations.

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

Since the Group only trades with the recognized and reputable third party, no collateral is required. The credit risk is managed centrally according to the customer/counter-party, geographic area and industry. As at June 30, 2019, 18.3% of accounts receivable of the Group came from top five borrowers in accounts receivable of the Group (December 31, 2018: 19.8%). The Group holds no collateral or other credit enhancement for the balance of accounts receivable.

### 10.1.3 Liquidity risk

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

## 11. Related parties and related transactions

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

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

From January to June 2019, there was no fluctuation in the registered capital of the parent company and its share in equity interest and voting right.

### 11.2 Particulars of the subsidiaries of the Company

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

### 11.3 Particulars of other related parties

Name of other related parties	Relationship between other related parties and the Company
Yantai Changyu Wine Culture Museum Co., Ltd. (“Wine Culture Museum”)	A company controlled by the same parent company
Yantai Changyu Window of International Wine City Co. Ltd. (“Window of Wine City”)	A company controlled by the same parent company

Yantai God Horse Packing Co., Ltd. (“God Horse Packing”)	A company controlled by the same parent company
Yantai Zhongya Medical Health Wine Co., Ltd. (“Zhongya Medical”)	A company controlled by the same parent company
Yantai Changyu Cultural Tourism Product Sales Co., Ltd. (“Cultural Sales”)	A company controlled by the same parent company
Yantai Changyu Cultural Tourism Development Co., Ltd. (“Cultural Development”)	A company controlled by the same parent company

## 11.4 Related transactions

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

#### List of purchasing goods/receiving services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Approved transaction amount	Exceeding the transaction amount or not	Amount incurred in prior period
God Horse Packing	Purchasing goods	74,970,845			95,990,354
Zhongya Medical	Purchasing goods	2,970,007			6,037,893
Wine Culture Museum	Purchasing goods	7,324,199			9,475,159
Window of Wine City	Purchasing goods	6,853,112			2,857,130
Cultural Sales	Purchasing goods	65,907			
Cultural Development	Purchasing goods	40,458			

#### List of selling goods/providing services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
Wine Culture Museum	Selling goods	3,377,011	13,889,017
Window of Wine City	Selling goods	3,891,101	8,773,612
Zhongya Medical	Selling goods	2,559,870	2,203,629
God Horse Packing	Selling goods	3,520	15,742

Cultural Sales	Selling goods	3,873,204	
Cultural Development	Selling goods	1,847,727	220,759

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

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

Nil

#### 11.4.3 Leasing with related parties

The Company as a lessor:

Unit: Yuan

Name of the lessee	Type of leased assets	Rental income recognized in this period	Rental income recognized in prior period
God Horse Packing	Office building and plant	742,883	739,491
Window of Wine City	Office building	488,595	486,364
Zhongya Medical	Office building	260,279	259,091

The Company as a lessee:

Unit: Yuan

Name of the lessor	Type of leased assets	Rent recognized in this period	Rent recognized in prior period
Changyu Group Company	Office building and plant	3,447,891	3,432,147

#### 11.4.4 Related guarantee

Nil

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

Nil

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

Nil

#### 11.4.7 Other related transactions

Unit: Yuan

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

## 11.5 Accounts receivable and payable of the related parties

### 11.5.1 Accounts receivable

Unit: Yuan

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Zhongya Medical	4,384,629		2,768,391	
Accounts receivable	God Horse Packing			17,137	
Accounts receivable	Window of Wine City	1,777,525		1,911,157	
Other receivables	God Horse Packing	1,626,880		813,440	
Other receivables	Zhongya Medical	285,000			
Other receivables	Window of Wine City	535,000			

### 11.5.2 Accounts payable

Unit: Yuan

Item	Related parties	Ending book balance	Beginning book balance
Accounts payable	God Horse Packing	36,227,351	55,366,785
Accounts payable	Zhongya Medical	8,002,230	6,722,667
Accounts payable	Wine Culture Museum	7,301,765	4,646,731
Accounts payable	Window of Wine City	1,139,407	4,789,600
Accounts payable	Cultural Sales	6,360	
Other accounts payable	Changyu Group Company	3,775,362	78,414,978
Other accounts payable	God Horse Packing		450,000

## 12. Commitment and contingency

### 12.1 Significant commitment

Unit: Yuan

Item	Ending balance	Beginning balance
Making long-term asset commitments	469,980,000	996,675,000

### 12.2 Contingency

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

## 13. Matters after balance sheet

### 13.1 Important non-adjusting events

Nil



## 13.2 Profit distribution

Unit: Yuan

Profits or dividends to be distributed	411,278,400
Allocated profits or dividends approved to declare upon discussion	411,278,400

## 13.3 Other statement of events after the balance sheet date

According to the decision of the Shareholders' Meeting dated May 17, 2019, based on the issued capital stock of 685,464,000 shares in 2018, the Company allocated RMB 6 Yuan in cash (including tax) for every 10 shares to all shareholders with the total cash dividends of RMB 411,278,400 Yuan. Such cash dividends were distributed on July 8, 2019 and July 10, 2019 respectively.

## 14. Other important matters

Nil

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

### 15.1 Accounts receivable

#### 15.1.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable for which provision for bad debts is accrued on a single item basis						1,447,973	100%			1,447,973
Accounts receivable for bad debts is accrued on a combined basis										
Total						1,447,973	100%			1,447,973

#### 15.1.2 Provision for bad debts accrued, withdrawn or transferred back in this period

The provision for bad debts accrued in this period was RMB 0 Yuan; and that withdrawn or transferred back in this period was RMB 0 Yuan.

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

Nil

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

Nil

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

Nil

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

Nil

**15.2 Other receivables**

Unit: Yuan

Item	Ending balance	Beginning balance
Interest receivable	277,785	254,088
Dividends receivable	4,103,925	500,000,000
Other receivables	522,211,903	525,389,268
Total	526,593,613	1,025,643,356

Remarks: The other receivables in the above list refer to those deducting interest receivable and dividends receivable.

**15.2.1 Interest receivable**

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed deposit	277,785	254,088
Entrusted loan		
Bond investment		
Total	277,785	254,088

**15.2.2 Dividends receivable**

Unit: Yuan

Item (or the invested unit)	Ending balance	Beginning balance
Dividends receivable from subsidiaries	4,103,925	500,000,000
Total	4,103,925	500,000,000

**15.2.3 Other receivables****15.2.3.1 Particulars of other receivables classified by nature**

Unit: Yuan

Nature	Ending book balance	Beginning book balance
--------	---------------------	------------------------

Nature	Ending book balance	Beginning book balance
Accounts receivable from subsidiaries	518,330,846	523,579,831
Deposit and guaranty money receivable		12,500
Other	3,881,057	1,796,937
Total	522,211,903	525,389,268

### 15.2.3.2 Disclosed by age

Unit: Yuan

Age	Ending balance
Within 1 year (including)	422,841,109
1-2 years	99,270,390
2-3 years	100,404
More than 3 years	
Total	522,211,903

### 15.2.3.3 Provision for bad debts accrued, withdrawn or transferred back in this period

The provision for bad debts accrued in this period was RMB 0 Yuan; and that withdrawn or transferred back in this period was RMB 0 Yuan.

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

Nil

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

Unit: Yuan

Unit	Nature of fund	Ending balance	Age	Percentage in the total ending balance of other accounts receivable	Ending balance of provision for bad debts
Sales Company	Internal incomings and outgoings	179,295,939	Within 1 year	34.3%	
R&D Company	Internal incomings and outgoings	111,343,650	Within 1 year	21.3%	
Laizhou Wine	Internal incomings and outgoings	5,549,972	Within 1 year	1.1%	
Penglai Sales	Internal incomings and outgoings	3,992,770	Within 1 year	0.8%	

Unit	Nature of fund	Ending balance	Age	Percentage in the total ending balance of other accounts receivable	Ending balance of provision for bad debts
Indomita Wine Company Chile, SpA	Internal incomings and outgoings	3,330,413	Within 1 year	0.6%	
Total	--	303,512,744	--	58.1%	

### 15.2.3.6 Accounts receivable related to governmental subsidy

Nil

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

Nil

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

Nil

## 15.3 Long-term equity investment

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	7,420,803,069		7,420,803,069	7,420,803,069		7,420,803,069
Investment in associated enterprises and joint ventures						
Total	7,420,803,069		7,420,803,069	7,420,803,069		7,420,803,069

### 15.3.1 Investment in subsidiaries

Unit: Yuan

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment accrued in this period	Ending balance of impairment provision
Xinjiang Tianzhu (a)	60,000,000			60,000,000		
Kylin Packaging	23,176,063			23,176,063		
Changyu Chateau (a)	28,968,100			28,968,100		
Pioneer International (b)	3,500,000			3,500,000		

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment accrued in this period	Ending balance of impairment provision
Ningxia Growing	36,573,247			36,573,247		
National Wine	2,000,000			2,000,000		
Icewine Valley (a)	30,440,500			30,440,500		
Beijing Chateau (a)	579,910,000			579,910,000		
Sales Company	7,200,000			7,200,000		
Langfang Sales (b)	100,000			100,000		
Langfang Castel (a)	19,835,730			19,835,730		
Wine Sales	4,500,000			4,500,000		
Shanghai Marketing (b)	300,000			300,000		
Beijing Marketing	850,000			850,000		
Jingyang Sales (b)	100,000			100,000		
Jingyang Wine (b)	900,000			900,000		
Ningxia Wine	222,309,388			222,309,388		
Ningxia Chateau	453,463,500			453,463,500		
Chateau Tinlot (b)	212,039,586			212,039,586		
Shihezi Chateau	812,019,770			812,019,770		
Chang'an Chateau	803,892,258			803,892,258		
Research, Development & Manufacture Company (a)	3,288,906,445			3,288,906,445		
Huanren Wine	22,200,000			22,200,000		
Wine Sales Company						
Francs Champs	236,025,404			236,025,404		
Marques del Atrio	190,150,544			190,150,544		
Indomita Wine	274,248,114			274,248,114		
Kilikanoon Estate, Australia	107,194,420			107,194,420		
<b>Total</b>	<b>7,420,803,069</b>			<b>7,420,803,069</b>		

(a) The Company acquired 100% voting right and usufruct of such non-wholly-owned subsidiaries by

means of contract arrangement. Please refer to Note 9.1.

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

From January to June 2019, there were no restrictions for the invested entities of the Company to transfer assets to the Company.

## 15.4 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	334,207,600	292,023,685	384,520,180	330,810,994
Other business	18,143,402	17,546,895	24,325,031	21,835,995
Total	352,351,002	309,570,580	408,845,211	352,646,989

## 15.5 Investment income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Income from long-term equity investment by cost method	264,221,755	312,409,576
Income from long-term equity investment by equity method		
Investment income from disposal of long-term equity investment		
Investment income of the financial assets measured at their fair values and the variation of which is recorded into the current profits and losses during the holding period		
Investment income gained from disposal of the financial assets measured at their fair values and the variation of which is recorded into the current profits and losses		
Investment income of held-to-maturity investment during the holding period		
Investment income of financial assets held for sale during the holding period		
Investment income gained from disposal of financial assets held for sale		

Gains generated from the remaining equity remeasured as per fair value after the loss of control		
Total	264,221,755	312,409,576

## 16. Supplementary materials

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

Unit: Yuan

Item	Amount	Remark
Profits/losses on disposal of non-current assets	1,138	
Tax return, deduction and exemption approved beyond the authority or without formal approval document		
Governmental subsidy included in the current profits/losses (excluding those closely related to the enterprise business and enjoyed in accordance with the unified standard quota or ration of the state)	64,211,892	
Payment for use of funds by non-financial enterprises included in the current profits/losses		
Income obtained when the investment cost obtained by the enterprise from subsidiaries, joint-run business and joint venture is less than the fair value of the net identifiable assets obtained from the invested units when the investment is made		
Profits/losses on exchange of non-monetary assets		
Profits/losses on entrusting other people to make investment or manage assets		
Asset impairment provision accrued due to force majeure such as natural disaster		
Profits/losses on debt restructuring		
Enterprise reorganization expenses such as staffing expenditure and integration expenses, etc.		
Profits/losses on those beyond the fair value generated from transactions with unfair transaction price		
Current net profits/losses on subsidiaries acquired from a business combination under common control from the beginning to the consolidation date		
Profits/losses on contingencies unrelated to the normal business of the Company		

Item	Amount	Remark
Profits/losses on changes of fair value of tradable financial assets, derivative financial assets, tradable financial liabilities and derivative financial liabilities, and investment income from disposal of tradable financial assets, derivative financial assets, tradable financial liabilities, derivative financial liabilities and other investment in creditor's rights, excluding effective hedging operations relevant to the normal business of the Company		
Transfer-back of accounts receivable with single impairment test and provision for impairment of contract assets		
Profits/losses on external entrusted loans		
Profits/losses on fair value changes of investment real estate with fair value mode for follow-up measurement		
Influence of the one-time adjustment of the current profits/losses in accordance with tax and accounting laws and regulations on the current profits/losses		
Trustee fee income from entrusted operation		
Other non-operating income and expenditure besides the above items	3,411,864	
Other profits/losses conforming to the definition of non-current profits/losses		
Minus: Influenced amount of income tax	16,671,778	
Influenced amount of minority shareholders' equity	40,022	
Total	50,913,094	--

## 16.2 Return on net assets and earnings per share

Profit incurred in this period	Weighted average return on net assets	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	6.13%	0.88	0.88
Net profit attributable to common shareholders of the Company deducting non-incident profits/losses	5.62%	0.81	0.81



**16.3 Accounting data difference under domestic and foreign accounting standard****16.3.1 Net profits & net assets difference disclosed in the financial report according to the international accounting standard and Chinese accounting standard**

Unit: Yuan

	Net profits		Net assets	
	Amount incurred in this period	Amount incurred in prior period	Ending balance	Beginning balance
In accordance with the Chinese accounting standard	603,403,789	635,837,405	9,791,885,091	9,606,099,365
Item & amount adjusted in accordance with the international accounting standard:				
In accordance with the international accounting standard	603,403,789	635,837,405	9,791,885,091	9,606,099,365

## **XI. Reference Documents**

- (1) The original of 2019 Semi-annual Report autographed by the chairman.
- (2) The Financial Statements autographed and signed by the chairman, chief accountant and accountants in charge.
- (3) The *Prospectus and Public Offering Announcement* for Stock B in 1997; The *Prospectus and The Shares' Change & Public Offering Announcement of Stock A* for Stock A in 2000.
- (4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

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

**Board of Directors**

**August 28<sup>th</sup>, 2019**