

Yantai Changyu Pioneer Wine Co., Ltd.

2019 Annual Report

Final 2020-01



April 2020

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I. Important Notice, Content and Definition

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

Mr. Zhou Hongjiang (Person in charge of the Company), Mr. Jiang Jianxun (Person in charge of accounting work) and Ms. Guo Cuimei (Person in charge of accounting organ & Accountant in charge) assure the truthfulness, accuracy and completeness of the financial report in the annual report.

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

Director name with non-present in person	Director post with non-present in person	Reason for non-present in person	Name of mandatory
Augusto Reina	Director	Die of illness	--
Aldino Marzorati	Director	Trip blocked due to COVID-19 epidemic	Zhou Hongjiang
Enrico Sivieri	Director	Trip blocked due to COVID-19 epidemic	Zhou Hongjiang

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

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

The Company’s preliminary scheme of profit distribution deliberated and passed by the board of directors this time is shown as following:Based on the Company’s total 685,464,000 shares, we plan to pay CNY7(including tax) in cash as dividends for every 10 shares to all shareholders and send 0 bonus share (including tax). Capital reserve will not be transferred to equity.

Definition

Definition Item	Refers to	Definition Content
Company/The Company	Refers to	Yantai Changyu Pioneer Wine Co., Ltd.
Changyu Group/Controlling Shareholder	Refers to	Yantai Changyu Group Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
KPMG Huazhen	Refers to	KPMG Huazhen LLP (Limited Liability Partnership)
CNY	Refers to	Chinese Yuan

II. Brief Introduction for the Company and Main Financial Indicators

1. Company's information

Stock Abbreviation	Changyu A, Changyu B	Stock Code	000869, 200869
Stock Abbreviation after Alteration	-		
Place of Stock Listing	Shenzhen Stock Exchange		
Legal Name in Chinese	烟台张裕葡萄酿酒股份有限公司		
Abbreviation of Chinese Name	张裕		
Legal Name in English	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English Name	CHANGYU		
Legal Representative	Mr. Zhou Hongjiang		
Registered Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Office Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Website	http://www.changyu.com.cn		
E-mail	webmaster@changyu.com.cn		

2. Contact person and information

	Secretary to the Board of Directors	Authorized Representative of Securities Affairs
Name	Mr. 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. Information disclosure and filing location

Media name for information disclosure selected by the Company	<i>China Securities Newspaper</i> , <i>Securities Times</i> and <i>Hong Kong Commercial Daily</i>
Web Site assigned by CSRC to carry the annual report	http://www.cninfo.com.cn

Filing location of the Company's annual report	Board of Directors' Office of the Company, 56 Dama Road, Yantai, Shandong
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4. Registration changes

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

5. Other relevant information

The accounting firm appointed by the Company

Name	KPMG Huazhen LLP
Address	Level 8, No.2 East Wing of Dongfang Square, No.1 East Chang'an Street, Dongcheng District, Beijing
Name of signatory accountants	Ms. Wang Ting, Ms. Chai Jing

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

Available Not available

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

Available Not available

6. Key accounting data and financial indicators

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

Yes No

	2019	2018	More or less than Last year (%)	2017
Operating revenue (CNY)	5,031,011,489	5,142,244,740	-2.16%	4,932,545,229
Net profit attributed to shareholders of the listed company (CNY)	1,129,735,749	1,042,632,929	8.35%	1,031,695,056
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses (CNY)	892,075,931	965,426,238	-7.60%	986,095,872
Net cash flows from operating activities (CNY)	837,838,024	975,978,746	-14.15%	973,243,027
Basic earnings per share (CNY)	1.65	1.52	8.55%	1.51
Diluted earnings per share (CNY)	1.65	1.52	8.55%	1.51
Weighted average for earning rate of net assets (CNY)	11.30%	11.23%	0.07%	12.14%
	December 31st, 2019	December 31st, 2018	More or less than Last year (%)	December 31st, 2017
Total assets (CNY)	13,647,932,568	13,117,729,052	4.04%	12,536,755,208
Net Assets attributed to shareholders of the listed company (CNY)	10,308,910,198	9,606,099,365	7.32%	8,906,342,299

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

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

Available Not available

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

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

Available Not available

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

8. Key financial indicators by quarter

Unit: CNY

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Operating revenue	1,667,424,758	890,850,027	968,100,175	1,504,636,529
Net profit attributed to shareholders of the listed company	456,381,471	147,022,318	125,557,834	400,774,126
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses	450,709,661	101,781,034	119,702,422	219,882,814
Net cash flows from operating activities	294,678,342	204,797,664	145,855,707	192,506,311

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

Yes No

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

Available Not available

Unit: CNY

Item	2019	2018	2017	Explanation
Profits and losses on disposal of non-current assets, including the provision for asset impairment write-off part	6,272,676	11,368,355	-222,586	Including return on investment of CNY 6,233,661 through disposing equity of Mirefleurs
Government grants included in the current profits and losses(except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	84,837,581	87,281,434	47,638,384	
Other non-operating revenues and	7,298,479	3,817,401	13,999,251	

expenditures in addition to the aforementioned items				
Other profit and loss projects conforming to the definition of non-recurring profit and loss	218,649,636			Offsetting the trademark use fee in previous years For detailed information, please refer to (5)(a) of X in Financial Report
Less: Income tax effect	79,367,893	25,157,188	15,523,424	
Minority shareholders' equity effect (after taxes)	30,661	103,311	292,441	
Total	237,659,818	77,206,691	45,599,184	--

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

Available Not available

There are no cases that non-recurring profit and loss is defined and specified as recurrent profit and loss in accordance with the *Explanatory Announcement on Public Company's Information Disclosure No.1 - Non-recurring Profit and Loss* during the report period.

III. Summary of the Company's Businesses

1. Main businesses during the report period

During the report period, the Company's main businesses are production and operation of wine and brandy, thus providing domestic and foreign consumers with healthy and fashionable alcoholic drinks. Compared with earlier stage, there are no significant changes happened to the Company's main businesses. The wine industry that the Company involved in is still in growth stage. Although being affected by many factors for the short-term, the competition in the market is fierce and the wine consumption temporarily declines. However, seen from the long term, the whole domestic wine market is on the rising trend. The Company is at the forefront in the domestic wine market.

2. Significant changes of main assets

(1) Significant changes of main assets

Main assets	Explanation of significant changes
Equity asset	During the report period, this Company's subsidiary Francs Champs Participations SAS signed Cooperation Agreement with SC Garri du Gai to jointly establish joint venture company L&M Holdings, in which Francs Champs Participations SAS used 100% equity of Societe Civile Agricole Du Chateau De Mirefleurs as contribution of capital; determined the long-term equity investment of CNY 45.10 million, the carrying amount of long-term equity investment adjusted and reduced by CNY 1.12 million in accordance to the equity method at the end of the period and the ending balance with CNY 43.98 million.
Fixed asset	The fixed assets increased by 2.51% compared with the initial stage, owing to part of constructions in process have been transferred to fixed asset during the report period.
Intangible asset	There are no significant changes of intangible asset during the report period.
Construction in process	The constructions in process decreased by 25.26% compared with the initial stage, owing to part of constructions in process have been transferred to fixed asset during the report period.

(2) Main overseas assets situation

☑Available ☐Not available

Unit: CNY

Details of assets	Formation reasons	Assets scale	Location	Operation mode	Control measures for safeguarding of asset security	Earning condition	Proportion of overseas assets in the Company's net assets	Whether there are significant impairment risks
Hacienda Y Vinedos Marques Del Atrio. SL	Acquisition of equity	561,790,770	Spain	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	6,463,473	1.21%	No
Indomita Wine Company Chile, S.p.A.	Establishment of joint venture	515,352,803	Chile	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	16,279,461	3.47%	No

Kilikanoon Estate Pty., Ltd.	Acquisition of equity	156,244,219	Australia	Independent operation	The Company participates in making important decisions through board of directors.	463,409	0.79%	No
FrancsChamps Participations SAS	Sole proprietorship establishment	229,962,968	France	Independent operation	The Company participates in making important decisions through board of directors.	4,117,668	2.17%	No
Explanation for other situation	No							

3. Analysis of core competitiveness

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

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

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

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

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

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

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

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

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

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

IV. Management Discussion and Analysis

1. Summarization

In 2019, influenced by many factors, such as the slowdown of domestic economic growth and the increase in uncertainty resulting from Sino-US trade friction, the competition in domestic wine market was very strong. The sales volumes of both imported wine and domestic wine decreased and some wine production enterprises got into trouble. Facing quite a lot of external disadvantages, the Company persisted in taking the market as the center, adhered to the development strategy of “Focus on middle-and-high level, Focus on high quality, Focus on big product” and the marketing philosophy of “obtaining growth from the terminal and nurturing consumers”, and strived to promote product sales, achieving good results and realizing operating revenue of CNY5,031.01million with a year-on-year decrease of 2.16% and net profit of CNY1,129.74million belonging to the parent company’s shareholders with a year-on-year increase of 8.35%.

2. Analysis of main business

(1) Summarization

Description	Increase or decrease of the end of the period over the end of last year	Cause of significant changes
Operating revenue	-2.16%	Mainly because of decrease in sales volume
Operating cost	-0.74%	Mainly because of decline in wine sales
Sales expense	-17.37%	Mainly because of return of trademark use fee during this report period
Management expense	-9.22%	Mainly because of year-on-year decrease in wage & welfare and depreciation expenses
R&D expense	26.27%	Mainly because of increase in expenses for technology research and development in 2019
Financial expense	-1.82%	Mainly because of decrease in loan interest expenditure
Net amount of cash flow generated in operating activities	-14.15%	Mainly because of decrease in received cash from product sales and rendering of service
Net amount of cash flow generated in investment activities	-59.01%	Mainly because of decrease in paid cash for investment activities

Net amount of cash flow generated in capital-raising activities	9.06%	Mainly because of decrease in cash inflow from capital-raising activities
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Review and summary of the process of the Company's early-disclosed development strategy and business plan during the report period

During the report period, the Company realized the operating revenue of CNY5,031.01millionwithanddecrease of 2.16% compared with last year, slightly lower than the target fixed at the beginning of the year of realizing operating revenue no less than CNY 5.3 billion. The net profit of CNY 1,129.74 million belonging to the parent company's shareholders was realized with an increase of 8.35% compared with last year. The main works during the report period were shown as followed:

Firstly, the Company adjusted the sales structure and rationalized the marketing system, further promoting the market strategy. During the report period, the Company strengthened the sales structure led by alcohol product variety and streamlined the marketing system for various alcohol products such as wine, brandy and imported wine etc., making sales team become more focused and further clarifying the responsibilities, rights and benefits. The relationship between parent brand Changyu and its subsidiary brands were rationalized. The Company first proposed and implemented“Brand Manager System”, highlighted the key points according to different brand positioning, studied different target consumer groups in a targeted manner and let dedicated people do professional things so that the brand development planning became clearer. Each variety of alcohol products focused according to respective brand development trend and clarified corresponding power point. To brandy, the Company actively changed its market positioning, strived to learn promotion experience of high-end Chinese liquor in order to cut the “cake” of liquor market; to wine, the Company studied the market strategy with the bench marking of international competitive products based on the characteristics of different wineries. To imported wine, the Company selected the best from imported wines and paid special attention to Chilean Indomita and Australian Kilikanoon. Through the “jointly building a fee pool with distributors”, an exclusive team of Changyu under each backbone distributor system was built to ensure the proper implementation of “obtaining growth from the terminal and nurturing consumers”.

Secondly, the Company insisted on product innovation, strengthened brand building and continuously expanded market influence. During the report period, the Company adhered to the general principle of “not stunning, not listed” for new products and successively launched a series of new products including new Rena Chateau, new Castel, Shartar five-star brandy, Pagese, Mminni, Long Tailed Cat, Vini Panda and limited-edition Noble Dragon and so on. These new products were well received by the market and recognized by consumers, making the domestic and foreign influence of “Changyu” brand increase steadily. The data from L.W. Institute of Xinhua News Agency showed that “The global brand awareness of Changyu is

equivalent to Lafite”. Based on the annual global wine brand influence index issued by Wine Intelligence, a British wine research agency, “Changyu” ranked first in the Chinese market.

Thirdly, The Company implemented precision marketing by virtue of digital technology to improve operating efficiency. During the report period, the Company further implemented the order-driven approach and fully realized online coding for chateau wines, Noble Dragon, and ordinary wines, basically achieving order driving of products. The identification management work “one bottle, one code” was put in place, and the anti-counterfeiting work for high-end products is continued being promoted. The Company gradually completed the transformation of marketing code, deeply investigated the distributor identification management and product traceability, and preliminarily made the planning of product anti-counterfeiting trackability and marketing promotion system integrating logistics code, anti-channeling code and marketing code into one code, which further strengthened the link control. The Company implemented a “comprehensive digital transformation” strategy to drive sales orders online and offline. The Company collaborated with online Tmall, JD and Suning and other digital platforms while cooperating with offline distributors to promote APP ordering. The Company formed strategic partnership with Tencent, JD, Tmall and Suning etc., and utilized digital means to gradually achieve “more precise user positioning, more sophisticated marketing promotion, and more efficient customer conversion”.

Fourthly, the Company enhanced quality management and improved production processes, further improving product quality. During the report period, the Company strategically deployed global high-quality raw material bases, and laid out medium-and-long-term premium raw material bases in China, Australia, Chile and France respectively, which has provided a sufficient quantity of medium- and high-grade bulk wine resources for the implementation of the “Three Focus” strategy. The Company strengthened technical exchanges between domestic and foreign winemakers, vigorously carried out research on new technologies and new processes, improved traditional processes and continuously improved product quality, which achieved significant results. 3 great gold medals and 34 gold medals were awarded in various international competitions. Koya XO 15 years won the championship at the Global Brandy Blind Tasting Fair, surpassing the world’s five well-known XO brands. The Company also built “Koya” to be a Chinese high-end brandy brand. Changyu Koya chateau was awarded the title of “The First Brandy Chateau in China” by China Alcohol Drinks Association, and the winemaker Ms. Zhang Baochun was awarded the title of “Chief Brandy Master in China”. The Chinese Brandy Research Institution was formally settled in Koya chateau. Changyu Noble Dragon became “Global TOP5” in the global best-selling wine brands blind tasting competition, and was rated as “Asian TOP1” by the Singapore Lianhe Zaobao.

Fifthly, the Company strengthened internal audit, intensified risk prevention and control, and reduced operating costs. During the report period, the Company strengthened tax planning, conducted comprehensive audits to off-site warehouses, accounts receivable, advertising fee management and distributor inventory etc., and established and improved risk prevention and

control system and budget dynamic management system for overseas enterprises, which effectively prevented operating risks and reduced operating costs.

(2) Revenue and cost

① Composition of operating revenue

Unit: CNY

	2019		2018		Year-on-year increase or decrease (%)
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	5,031,011,489	100%	5,142,244,740	100%	-2.16%
Sector-classified					
Sector of liquor and alcoholic beverage	5,031,011,489	100%	5,142,244,740	100%	-2.16%
Product-classified					
Wine	3,833,828,384	76.20%	4,000,233,434	77.79%	-4.16%
Brandy	1,071,623,817	21.30%	999,207,299	19.43%	7.25%
Tourism	88,716,296	1.76%	101,978,938	1.98%	-13.01%
Others	36,842,992	0.74%	40,825,069	0.79%	-9.75%
Total	5,031,011,489	100%	5,142,244,740	100%	-2.16%
Area-classified					
Domestic	4,482,413,271	89.10%	4,486,387,956	87.25%	-0.09%
Overseas	548,598,218	10.90%	655,856,784	12.75%	-16.35%
Total	5,031,011,489	100%	5,142,244,740	100%	-2.16%

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

Available Not available

Unit: CNY

	Operating revenue	Operating cost	Gross margin	Year-on-year increase or decrease (%) of operating revenue	Year-on-year increase or decrease (%) of operating cost	Year-on-year increase or decrease (%) of gross profit rate
Sector-classified						
Sector of liquor and alcoholic beverage	5,031,011,489	1,887,495,991	62.48%	-2.16%	-0.74%	-0.54%
Product-classified						

Wine	3,833,828,384	1,401,341,243	63.45%	-4.16%	-4.07%	-0.03%
Brandy	1,071,623,817	436,894,314	59.23%	7.25%	8.22%	-0.37%
Tourism	88,716,296	27,251,750	69.28%	-13.01%	-12.93%	-0.03%
Others	36,842,992	22,008,684	40.26%	-9.75%	282.20%	-45.63%
Total	5,031,011,489	1,887,495,991	62.48%	-2.16%	-0.74%	-0.54%
Area-classified						
Domestic	4,482,413,271	1,523,524,727	66.01%	-0.09%	3.11%	-1.05%
Abroad	548,598,218	363,971,264	33.65%	-16.35%	-14.16%	-1.69%
Total	5,031,011,489	1,887,495,991	62.48%	-2.16%	-0.74%	-0.54%

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

Available Not available

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

Yes No

Sector	Project	Unit	2019	2018	Year-on-year increase or decrease (%)
Wine	Sales volume	Ton	95,902	112,600	-14.83%
Brandy	Sales volume	Ton	38,895	39,315	-1.07%

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

Available Not available

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

Available Not available

⑤ Composition of operating costs

Classification of sector and product

Unit: CNY

Sector	Project	2019		2018		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic	Blending liquor	941,841,689	50.76%	981,838,789	52.42%	-1.66%
	Packing material	632,114,480	34.07%	633,281,194	33.82%	0.26%

beverage	Wages	65,607,419	3.54%	63,385,522	3.38%	0.15%
	Manufacturing expenses	215,835,927	11.63%	194,485,534	10.38%	1.25%

Unit: CNY

Sector	Project	2019		2018		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Wine	Blending liquor	711,784,892	50.79%	759,623,724	52.00%	-1.21%
	Packing material	464,625,885	33.16%	484,791,303	33.19%	-0.03%
	Wages	56,725,667	4.05%	54,718,770	3.75%	0.30%
	Manufacturing expenses	168,204,799	12.00%	161,721,616	11.06%	0.93%
Brandy	Blending liquor	230,056,797	52.66%	217,997,239	54.00%	-1.34%
	Packing material	167,488,596	38.34%	144,272,064	35.74%	2.60%
	Wages	8,881,752	2.03%	8,666,752	2.14%	-0.11%
	Manufacturing cost	30,467,170	6.97%	32,763,918	8.12%	-1.14%

Explanation

No

⑥ Whether there are changes of consolidation scope during the report periodYes No

For detailed information about the changes in the scope of consolidated financial statements in this year, please refer to VI“Change in consolidation scope” in Financial Report of this report.

⑦ Major changes or adjustments of the Company’s businesses, products or service during the report periodAvailable Not available**⑧ Information of major sales customers and major suppliers**

The Company's major sales customers

The total sales amount of the top five customers (CNY)	271,566,418
The proportion that total sales amount of the top five customers accounting for the annual total sales amount (%)	5.40%
The proportion that sales amount of the related party in the total sales amount of the top five customers accounting for the annual total sales amount (%)	0%

Information of the Company's 5 biggest sales customers

No.	Customer name	Sales amount (CNY)	Proportion in total sales for the year (%)
1	Changyuexin Trading Company Limited in Shenzhen city	77,966,257.00	1.55%
2	Shenzhen Ruiqi Trading Company Limited	68,303,967.00	1.36%
3	Xinbaicheng Food Firm in Hanjiang district of Putian city	45,629,821.00	0.91%
4	Fuzhou Shengshihanggang Trading Company Limited	42,902,091.00	0.85%
5	Yukun Information Technology Co., Ltd. in Foshan city	36,764,282.00	0.73%
Total	--	271,566,418.00	5.40%

Other situation explanations of major customers

Available Not available

Information on the Company's main suppliers

The total purchase amount of the top 5 suppliers	602,438,946.00
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount	45.48%
The proportion of the related party purchase amount in the top 5 supplier purchase amount in annual purchase amount	10.08%

Information on the Company's top 5 biggest suppliers

No.	Supplier name	Purchase amount (CNY)	Proportion in total purchase for the year (%)
1	Liquan Sales Department of Shandong Yantai Winery Co.,Ltd.	139,869,748.00	10.56%
2	Yantai Shenma Packaging Co., Ltd.	133,587,430.00	10.08%

3	Qixia Changyu Glass Co.,Ltd.	131,011,805.00	9.89%
4	Xinjiang Yuyuan Liquor Co.,Ltd.	127,813,447.00	9.65%
5	Xinjiang Tianyu Winery Co., Ltd. Fangcaohu Branch	70,156,516.00	5.30%
Total	--	602,438,946.00	45.48%

Other situation explanations of main suppliers

Available Not available

(3) Expense

Unit: CNY

	2019	2018	Year-on-year increase or decrease (%)	Explanation of significant changes
Sales expense	1,053,232,024	1,274,599,146	-17.37%	Mainly because of return of trademark use fee during this report period
Management expense	311,904,656	343,580,651	-9.22%	Mainly because of year-on-year decrease in wage & welfare and depreciation expenses
Financial expense	35,290,702	35,945,302	-1.82%	Mainly because of decrease in loan interest expenditure
Research and Development expense	6,041,116	4,784,118	26.27%	Mainly because of increase in expenses for technology research and development in 2019

(4) Research and development investment

Available Not available

(5) Cash flow

Unit: CNY

Item	2019	2018	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	4,782,456,490	5,080,363,769	-5.86%
Subtotal of cash outflow in operating activities	3,944,618,466	4,104,385,023	-3.89%
Net amount of cash flow	837,838,024	975,978,746	-14.15%

generated in operating activities			
Subtotal of cash inflow in investment activities	242,866,775	423,413,326	-42.64%
Subtotal of cash outflow in investment activities	451,029,212	931,261,875	-51.57%
Net amount of cash flow generated in investment activities	-208,162,437	-507,848,549	59.01%
Subtotal of cash inflow in capital-raising activities	942,134,032	1,114,333,670	-15.45%
Subtotal of cash outflow in capital-raising activities	1,413,600,451	1,546,641,222	-8.60%
Net amount of cash flow generated in capital-raising activities	-471,466,419	-432,307,552	9.06%
Net increase of cash and cash equivalents	158,912,341	25,971,060	511.88%

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

Available Not available

Compared with the same period of last year, during the report period, the net amount of cash flow generated in operating activities decreased by 14.15%, mainly due to the year-on-year decrease in the cash received from commodity sales and rendering service; subtotal of cash inflow in investment activities decreased by 42.64%, mainly due to the decrease in received cash in recouping the capital outlay; subtotal of cash outflow in investment activities decreased by 51.57%, mainly due to the decrease in the cash paid for acquiring fixed assets, intangible assets and other long-term assets and the cash paid for investment; net amount of cash flow generated in investment activities increased by 59.01%, mainly due to the decrease in the cash outflow in investment activities; subtotal of cash inflow in capital-raising activities decreased by 15.45%, mainly due to the decrease in received cash from loan; net increase of cash and cash equivalents increased by 511.88%, mainly due to the decrease in cash outflow in investment activities.

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

Available Not available

3. Analysis to non-main business

Available Not available

4. Assets and liabilities**(1) Significant changes of assets composition**

Whether the Company implements new financial instruments standard, new revenue standard or new lease standard for the first time since 2019 and adjusts related items in the financial statement at the beginning of the execution year

Available Not available

Unit: CNY

	At the end of 2019		At the end of 2018		Proportion increase or decrease (%)	Explanation on significant changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,565,783,980	11.47%	1,475,700,477	11.25%	0.22%	No significant changes
Receivables	266,218,153	1.95%	242,153,083	1.85%	0.10%	No significant changes
Inventory	2,872,410,407	21.05%	2,724,591,457	20.77%	0.28%	No significant changes
Investment real estate	29,714,586	0.22%	31,572,489	0.24%	-0.02%	No significant changes
Long-term equity investments	43,981,130	0.32%	0	0%	0.32%	No significant changes
Fixed assets	5,894,068,898	43.19%	5,749,731,667	43.83%	-0.64%	No significant changes
Construction in progress	567,478,833	4.16%	759,296,591	5.79%	-1.63%	No significant changes
Short-term borrowings	754,313,744	5.53%	688,002,410	5.24%	0.29%	No significant changes
Long-term borrowings	128,892,501	0.94%	156,480,662	1.19%	-0.25%	No significant changes

(2) Assets and liabilities measured at fair value

Available Not available

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

At the end of report period, the Company has no assets sealed up, detained or frozen. For information about assets mortgage and pledge, please refer to *Announcement on External*

Guarantee disclosed on *China Securities Journal*, *Securities Times* and CNINFO (<http://www.cninfo.com.cn/>) in 2016, 2017, 2018 and 2019.

5. Investment condition

(1) Overall situation

Available Not available

Investment amount during the report period (CNY)	Investment amount of the same period of last year (CNY)	Variation
399,750,000	450,762,420	-11.32%

(2) Cases of acquired significant equity investments during the report period

Available Not available

(3) Cases of significant ongoing non-equity investments during the report period

Available Not available

Unit: CNY

Project name	Investment mode	Whether Belongs to fixed assets investment	Involves sectors of investment projects	Investment amount during the report period	Accumulated actual investment amount upto the end of the report period	Capital source	Project progress	Estimated earnings	Accumulated realized earnings upto the end of the report period	Reasons for unreached planingschedule and estimated earnings	Disclosure date (if have)	Disclosure index (if have)
Yantai Changyu International Wine City Blending and Cooling Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	250,180,000	1,626,294,100	Owned fund	100%	0	0	—	2017.04.22	Please refer to <i>Resolution Announcement of Seventh Session Board of Directors 4th Meeting</i> , <i>Resolution Announcement of Seventh Session Board of Directors 8th Meeting</i> and <i>Resolution Announcement of Seventh Session Board of Directors 10th Meeting</i> disclosed on <i>China Securities Journal</i> , <i>Securities Times</i> and CNINFO (http://www.cninfo.com.cn/)
Yantai Changyu International Wine City Bottling Center	Self-constructed	Yes		91,000,000	1,004,200,000	Owned fund	100%	0	0	—	2017.04.22	
Yantai Changyu International Wine City Logistics Center	Self-constructed	Yes		46,170,000	462,677,200	Owned fund	100%	0	0	—	2017.04.22	
Changyu Vine and	Self-constructed	Yes		6,000,000	122,974,800	Owned fund	85%	0	0	—	2017.04.22	

WineResearchInstitute											
TreasureWineChateau	Self-constructed	Yes	0	128,820,000	Owned fund	75%	0	0	—	2017.04.22	
KoyaBrandyChateau	Self-constructed	Yes	0	147,329,000	Owned fund	85%	0	0	—	2017.04.22	
Oak barrel procurement project	Self-constructed	Yes	0	0	Owned fund	0%	0	0	—	2018.04.20	
SAP informatization for industrial production	Self-constructed	Yes	2,600,000	40,450,000	Owned fund	100%	0	0	—	2018.04.20	
Project of purchase in trinityjoint action equipment by Yantai chateau	Self-constructed	Yes	0	0	Owned fund	0%	0	0	—	2018.04.20	
Project of “constant temperature and humidity” system in underground cellar of	Self-constructed	Yes	3,800,000	3,800,000	Owned fund	100%	0	0	—	2018.04.20	

Research & Development Center												
Construction project of supplier relationship management platform and plant maintenance platform	Self-constructed	Yes		0	0	Owned fund	0%	0	0	—	2018.04.20	
Total	--	--	--	399,750,000.00	3,536,545,100.00	--	--	0	0	--	--	--

(4) Financial assets investment

① Security investment situation

Available Not available

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

② Derivatives investment

Available Not available

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

(5) The usage situation of raised capital

Available Not available

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

6. Sale of significant assets and equities

(1) Sale of significant assets

Available Not available

Transaction party	Sold asset	Sale date	Transaction price (CNY'000)	Net profit contributed by this asset for listed company from the beginning of report period to sale date	Influence of sale in listed company (note III)	Proportion of net profit contributed to listed company resulting from asset sale in total net profit	Pricing principle for asset sale	Related transaction or not	Association Relationship with transaction party (if applicable)	Whether the property right of involved assets has been transferred	Whether the credit and debt has been transferred	Whether implemented as schedule, if not, explain the reason and measures that have been taken	Disclosure date	Disclosure index
Yantai	The	April	2,411.55	0	Through this	0	Contract	Yes	Parent	No	No	Yes	April	Please refer

<p>Changyu Pioneer Wine Co., Ltd.</p>	<p>workshop and office building of previous brandy manufacturing plant and corresponding lands</p>	<p>20th, 2019</p>			<p>transaction, the Company could replace idle workshop and lands for the land occupied by Xishan office building so that the Company could not only better guarantee the safety and integrity of Xishan office building in order to realize the asset appreciation and hedge but also eliminate previous related</p>		<p>ual pricing</p>		<p>company and subsidiary company</p>				<p>20th, 2019</p>	<p>to <i>Announcement OnAsset Replacement</i> disclosed by the Company (announcement 2019-temporaty</p>
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					transaction including land rental fee. This transaction will not affect the continuity of business and the stability of management.									
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(2) Sale of significant equities

Available Not available

7. Analysis of main holding and joint stock companies

Available Not available

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

Unit: CNY

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yantai Changyu Pioneer Wine Sales Co., Ltd.	Subsidiary	Sales	CNY8million	1,420,161,516	191,198,133	3,821,020,948	942,128,095	793,451,810
Yantai Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY5million	396,403,239	378,470,761	1,081,596,277	186,864,347	140,221,071
Changyu Trading	Subsidiary	Sales	CNY5million	88,463,752	233,496,494	436,530,152	173,831,064	131,639,723

Co., Ltd. in Development Zone of Yantai								
LaizhouChangyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY1million	88,463,752	1,000,000	226,162,063	157,486,950	118,115,212

Acquisition and disposal of subsidiaries during the report period

Available Not available

Company name	Mode of acquisition and disposal of subsidiaries during the report period	Effect on overall production management and performance
Chateau De Mirefleurs	Establishment of joint venture company for contracted transfer	The difference between the disposal price and the enjoyed net asset share of this subsidiary is CNY 6,233,661.

Explanation on main holding and joint stock companies

No

8. Situation of the structured subjects controlled by the Company

Available Not available

9. Expectation for the Company's future development

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

(1) The sector competition pattern and development trend

Under uncertainty effects caused by the slowdown of national macroscopic economy growth, the Sino-American trade friction and the novel coronavirus pneumonia epidemic, the overall demand of Chinese wine market in 2020 will be still comparatively weak, the total wine consumption is more likely to maintain a downward trend, and the wine industry's operating situation will be even more severe. With the rise of Chinese e-commerce and Internet generation, the scene and habits of people's consumption in wine continue to change. The mobile terminal media on the "mobile phone screen", including WeChat, Douyin, Toutiao and Internet celebrity IP etc., has become an important channel for wine operators to communicate with consumers. Owing to the serious "fragmentation" of the wine market, it is more difficult to target wine consumers. Whether compared with the per capita consumption of domestic beer and liquor, or compared with the per capita consumption of major foreign wine consuming countries, the consumption popularizing rate and penetration rate of Chinese wine in domestic are very low. Although there are some twists and turns during its development period in the short term, seen from the long term, the huge development potential has not changed. In such a case of long-term coexistence of opportunities and challenges, those enterprises that possess strong brand influence and marketing ability, catch the opportunities, actively take adjustments, make full use of newly emerging and traditional sales channels, timely satisfy the consumers' demands and provide products with high cost performance will have the opportunity to be the final winner of competitions, and then form a new pattern of the future Chinese wine market.

(2) The Company's development strategy

The Company will adhere to the development strategy of "Focus on middle-and-high level, Focus on high quality, Focus on big product" and the marketing philosophy of "obtaining growth from the terminal and nurturing consumers", continue improving the relatively independent system construction of wine, brandy, imported wine and overseas business, enhance wine, scale up brandy, improve imported wine, stabilize overseas business and promote the all-round development of various alcohol products.

(3) Management plan for the new year

In 2020, the Company will try its best to realize operating revenue of not less than CNY3.7 billion and control the main operating costs and three period expenses below CNY2.8 billion.

(4) Measures to be taken by the Company

In order to better seize the opportunities and meet the challenges, the Company will stand from the present, take a long-term perspective, forge ahead, adhere to market-oriented approach, take advantage of profit assessment, take innovation and major work as driving force and persevere in

management and implementation. The Company will make every effort to do following major work in 2020 in order to strive to achieve annual business target.

The first is to further deepen and implement the “Three Focus” strategy. For domestic wine, the Company clearly defines the development direction of “focusing on chateau wine, strengthening Noble Dragon and scaling up ordinary wine” and will continue focusing on brands of seven chateau wines, Noble Dragon and Zenithwirl etc.. Under the premise of keeping the total investment unchanged, the Company will transfer part of offline funds to online channels to future increase the proportion of input on online channels. For brandy, the Company will continue adhering to the strategy of “focusing on middle-and-high-end products and driving the sales of low-end products in virtue of middle-and-high-end products”, and focus on Koya, Five Star, Mminni and Pegase these four brands. The main brands will be further focused on Koya XO 15 and Fine Five-star, through which the brandy category could be expanded, thus driving the all-round development of brandy brands. For imported wine, the Company will focus on six acquired brands, especially on Kilikanoon and IWCC.

The second is to continue to implement business philosophy of “customer-centered, striver-based and result-oriented”. The Company will take effective measures to fully implement the market strategy of “let fewer people manage distributors, let more people serve terminals and consumers together with distributors”. Also the Company will continue increasing the salary level of sales personnel and enhancing front-line personnel’s working enthusiasm through measures such as increasing efficiency while reducing staff and improving compensation system and so on. The Company will advocate that “everyone is product experience officer”, “everyone is a service experience officer” and “everyone is a self-media” to comprehensively improve product awareness, service awareness and marketing awareness.

The third is to make efforts to expand new marketing channels. The Company will strengthen the development of online channels, new retail channels, big distributor channels and personalized-ordering group purchase channels, and establish a system of “brand team” + “outsourcing brand consulting company” to provide more accurate and effective marketing support. Through the innovation of marketing system, the Company will push forward 1-2 chateau brands to establish an alliance company with big distributors to expand the market scale; mobilize more than 2,000 key distributors across the country to open their own smart retail malls; guide distributors to recruit “community partners”; promote distributors make full use of city-wide platforms like Meituan, Eleme, 58 Tongcheng, Douyin, JingdongDaojia and Little Red Book to run their business in various new formats; promote contactless delivery of wines among distributors through their own distribution system or courier delivery in the same city, and help them improve contactless delivery capacity and open up sales channels; mobilize all employees to participate in short video marketing and live streaming video marketing.

The fourth is to comprehensively promote the Company's traditional business to be transferred to digitization business. The Company will strive to realize digitalization of planting, production, sales and marketing in an all-round way, thus to provide accurate service to clients and targeted marketing to consumers. In 2020, the Company will print anti-counterfeiting codes on the back and conduct the reformation of one-off marketing codes to promote distributor-driven orders in an all-round way and introduce the inbound and outbound identification management and product traceability in the distributor link. The Company will also cooperate with Tencent and other companies to complete the digital integration of marketing to promote digital marketing level.

The fifth is to continue improving product quality. The Company will stabilize the total number of contracted bases, improve the planting level of its own grape bases, and cultivate new wine grape varieties according to different geographical and climatic characteristics in China. Besides that, the Company will establish long-term stabled high, medium and low raw material bases for wine and brandy to meet different product demands and complete wine and brandy overseas grape base layout from a global perspective. The Company will also increase the import quantity of oak barrels and formulate a three-year purchase plan of oak barrels for high-end products such as chateau wines and Koya brandy and so on, and improve the way and method of using oak barrels. The Company will further establish and improve the "evaluation system for brand wine-makers team", mobilize winemakers to go deep into the production line to improve product quality and go deep into the market line to understand consumer demand, in order to better play the winemakers team's technical and work capability. The Company will support and encourage the research and development investment of new technology and new process to ensure the steady improvement of product quality.

The sixth is to further improve the employment mechanism. The Company will continue to implement the general policy of "strictly control the employment and release the demission", and strive to achieve the general goal of "control the total number and keep the income non-decreasing". The Company will accelerate the reform of the selection and employment mechanism, salary distribution and incentive mechanism to open up a dual channel for employees' career development and salary incentive. A three-year talent development plan for management, brewing, equipment, marketing, production and other aspects will be made. The system of "management trainee" and "guidance of mentor to apprentice" will be established to form the talent training model of "everyone has a mentor in front and anechelon formation in back". Meanwhile, the Company will also establish a good mechanism to reward innovation success and tolerate innovation failure and create a favorable atmosphere to encourage innovation and tolerate failure, providing reliable guarantee for the smooth development of innovation work in all aspects of the Company.

The seventh is to strengthen audit supervision and internal control system construction. The Company will further strengthen the audit supervision of each operating unit and intensify the trinity supervision system of auditing, financing and discipline inspection commission. The Company will enhance

the punishment level, investigate every problems discovered in auditing and not promote or appoint responsible personnel. The Company will further improve the internal control system of areas prone to serious fraud, including seal, related transaction, sales advertising fee, material procurement, project construction and inventory and so on, in order to timely eliminate major hidden dangers and prevent operational risks.

The eighth is to strengthen the financial management. The Company will improve the budgeting mode, timely and dynamically adjust and improve the annual budget in accordance with the major changes inside and outside of the Company, and enhance the timeliness and pertinence of budget management. The Company will improve the simulation profit assessment system for secondary enterprises to improve the overall profitability. Meanwhile, the Company will make full use of national policy of reducing taxes and fees to rationalize tax planning and strengthen financial management of overseas enterprises to prevent major risks.

The above business plan and business goals do not represent the listed company’s profit forecast for 2020. Whether it can be realized depends on various factors such as changes in market conditions and the efforts of the management team, which has great uncertainties. Please pay special attention to this.

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

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

Available Not available

Reception time	Reception pattern	Type of reception object	Basic situation index of reception
October 16 th , 2019	Other	Individual	<i>Yantai Changyu Pioneer Wine Co., Ltd. Investor Relations Activation Record Form</i>
Times of reception			1
Number of institution reception			0

Number of individual reception	6
Number of other objects reception	0
Whether to disclose, reveal and leak material nonpublic information	No

V. Major issues

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

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

Available Not available

Deliberated and passed by the 2018 Shareholders' Meeting convened on May 17th, 2019 by the Company, the Company's 2018 annual profit distribution scheme is shown as follows: based on total 685,464,000 shares (including 453,460,800 A shares and 232,003,200 B shares) up to December 31st, 2018, the Company would pay cash dividend to all shareholders registered on the share registration day: CNY6 in cash per ten shares. This time the Company would neither dispatch bonus shares nor increase equity with capital reserve.

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

On June 28th, 2019, the Company published *the Implementation Announcement of 2018 Annual Equity Distribution* on *China Securities Journal*, *Securities Times* and www.cninfo.com.cn, determining that the share registration day and the ex-dividend day of A Share was respectively on July 5th, 2019 and on July 8th, 2019; the last trading day, the share registration day and the ex-dividend day of B Share was respectively on July 5th, 2019, on July 8th, 2019 and on July 10th, 2019.

This time the dispatching objects contain all A Shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 5th, 2019 and all B Shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 10th, 2019 (the last trading day is July 5th, 2019).

This dispatching has already been completed in mid-July 2019. The profit distribution scheme implemented this time is consistent with the scheme deliberated and passed by the shareholders' meeting. The implementation of the profit distribution scheme for this time is not more than two months after the shareholders' meeting passing it.

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

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

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

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

The Company's profit distribution draft scheme in 2019 is as following: Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2019, the Company plans to pay CNY7 in cash as dividends for every ten share (including tax) to the Company's all shareholders, totaling up to CNY479,824,800 accounted for 42.47% of net profits CNY1,129,735,749 attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY649,910,949 will be reserved for distribution in the next year.

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

Unit: CNY

Year of distribution	Amount of cash dividend (including tax)	Net profit belonging to the listed company's shareholders in the consolidated statement of the distribution year	Proportion in the net profit belonging to the listed company's shareholders in the consolidated statement (%)	Amount of cash dividends(eg. shares buy-back) in other ways	Proportion of cash dividends in other ways	Amount of cash dividend (including other ways)	Proportion (including other ways)in the net profit belonging to the listed company's shareholders in the consolidated statement (%)
2019	479,824,800.00	1,129,735,749.00	42.47%	0.00	0.00%	479,824,800.00	42.47%
2018	411,278,400.00	1,042,632,929.00	39.45%	0.00	0.00%	411,278,400.00	39.45%
2017	342,732,000.00	1,031,695,056.00	33.22%	0.00	0.00%	342,732,000.00	33.22%

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

Available Not available

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

Available Not available

Number of sending bonus shares per ten shares (share)	0	
Number of dividend payout per ten shares (CNY) (including tax)	7	
Number of transferring per ten shares(share)	0	
The cardinal number of the capital stocks for the preliminary distribution scheme (share)	685,464,000	
Total cash dividend distribution (CNY) (including tax)	479,824,800.00	
Amount of cash dividends(eg. shares buy-back) (CNY) in other ways	0.00	
Total cash dividend distribution (CNY) (including other ways)	479,824,800	
Attributable profit (CNY)	1,129,735,749.00	
The proportion of cash dividend distribution in the total profit distribution(including other ways)	100%	
Cash dividend distribution this time		
If the Company's development is in growth stage and major capital expenditure is arranged, while making profit distribution, the proportion of cash dividends should takes up no less than 20% in this profit distribution.		
Detailed explanation for the preliminary scheme of profit distribution or increasing equity with capital reserve		
According to the audit result from KMPG Huazhen LLP, the net profit belonging to the parent company's stockholders in the consolidated statement in 2019 is CNY1,129,735,749 and the net profit of the parent company in financial statement in 2019is CNY593,298,849. According to PRC accounting standard, the situation for attributable profits of the consolidation and the parent company in 2019as following:		
Unit: CNY		
	Consolidation	Parent company
Undistributed profits at the end the year	8,719,899,359	8,619,977,577
Including: net profits in 2019	1,129,735,749	593,298,849
Undistributed profit carried forward of the beginning of the year	8,001,442,010	8,437,957,128
Distribution of 2018 dividends	411,278,400	411,278,400
Withdrawal legal surplus reserve	0	0
According to regulation of 157 th item in the <i>Articles of Association</i> , which is that "the Company can distribute dividends either in cash or by stock, the profit to be distributed each year is not less than 25% of the distributable profit realized in the same year and the accumulated sum of profit to be distributed in cash in the last three years is not less than 30%		

of the yearly average distributable profit to be realized in the last three years”.Meanwhile, considering the large amount on the capital expenditure in 2020, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2019 as following:

Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company’s 685,464,000 shares at total up to December 31st, 2019, the Company plans to pay CNY7 in cash as dividends for every ten share (including tax) to the Company’s all shareholders, totaling up to CNY479,824,800 accounted for 42.47% of net profits CNY1,129,735,749 attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY649,910,949 will be reserved for distribution in the next year.

The cash dividend distributed to shareholders of domestic listed foreign shares (B share) is paid in Hongkong dollar converted based on the middle rate between CNY and Hongkong dollar issued by the People’s Bank of China on the first working day after the resolution date of 2019 shareholders’ meeting.

3. Implementation of commitments

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

Available Not available

Commitments	Commitment party	Commitment type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at share reform						
Commitments made in acquisition report or equity changes report						
Commitments at asset restructuring	—		—		—	—
Commitments at the initial public offering or refinancing	Yantai Changyu Group Co., Ltd.	Solve horizontal competition	Non-horizontal competition	May 18 th , 1997	Forever	Has been performing
	Yantai Changyu Group Co.,Ltd.	Clear the use of trademark royalty	According to <i>Trademark License Contract</i> , the trademark royalty of Changyu and other trademarks	May 18 th , 1997	From May 18 th , 1997 to April 4 th , 2019	According to <i>Trademark License Contract</i> , the trademark use fee annually paid by the Company to Changyu Group shall be mainly used

			paid by the Company to Yantai Changyu Group Co., Ltd every year is mainly used for advertising Changyu and other trademarks and this contract products by Yantai Changyu Group Co., Ltd.			byChangyu Group to publicize trademarks and contract products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai ChangyuGroup Co., Ltd. has been performing its commitment.
Equity incentive commitments						
Commitments at middle and small shareholders of the Company	Yantai Changyu Group Co.,Ltd.	Compensating unredeemed commitment	The CNY231,768,615 that was not used for publicity of trademarks and contract products as promised will be offset by the four-year trademark use fee from 2019 to 2022. 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.	April 4 th , 2019	From April 4 th , 2019 to December 31 st , 2023	Has been performing
Commitment under timely implementation or	No					

not	
Whether or not to have specific reasons of the unimplemented commitment and next steps	<p>According to the <i>Trademark License Contract</i> (hereafter referred to as “the Contract”), Changyu Group promises that the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks and contract products. But above-mentioned ‘mainly’ is not a specific number, which is easy to cause divergence due to different understanding and leads to problem appearance during the implementation process.</p> <p>From 2013 to 2017, Changyu Group collected a total of CNY420,883,902 trademark use fee, of which 51% was used to publicize trademarks including Changyu and contract products with amount of CNY214,650,790. The amount has been used to publicize trademarks including Changyu and contract products is CNY50,025,181, with a balance of CNY164,625,609.</p> <p>In 2018 and 2019, the trademark use fee collected of 2017 and 2018 is CNY155,623,907, of which 51% is used to publicize trademarks including Changyu and contract products with amount of CNY79,368,193. The amount has been used to publicize trademarks including Changyu and contract products is CNY12,225,187, with a balance of CNY67,143,006.</p> <p>Since 2013, the accumulated balance of Changyu Group using to publicize trademarks including Changyu and contract products is CNY231,768,615.</p> <p>Changyu Group promises that the four-year trademark use fee from 2019 to 2022 will be used for offset. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence. If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc. in order to implement the commitment.</p> <p>For detailed information, please refer to <i>Announcement on Commitment Issues of Yantai Changyu Group Co., Ltd</i> disclosed on April 4th, 2019.</p>

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

Available Not available

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

Available Not available

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

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

Available Not available

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

Available Not available

The Company has implemented the new financial standard since January 1st, 2019. According to the transition requirements of the standard, the Company made retrospective adjustments to classification and measurement (including impairment) of financial instruments that were not derecognized on the date (January 1st, 2019) of the implementation of the New Financial Instruments Standard. This company did not adjust the comparative financial statement data, and the difference between the original book value of financial instrument and the new book value on the date of implementation of the New Financial Instruments Standard was recorded into retained income or other comprehensive income in early 2019.

The Company prepared financial statements according to the relevant requirements of Accounting [2019] No. 6, which only affected the format of financial statements and the listing of some items and did not have significant effects on the Company's net asset, net profit and other related financial indexes.

For other information about changes in accounting policy, please refer to *Announcement on Changes in Accounting Policy* disclosed by the Company in *SecuritiesTimes*, *ChinaSecuritiesJournal* and CNINFO.

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

Available Not available

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

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

Available Not available

For detailed information about the changes in the scope of consolidated financial statements in this year, please refer to VI“Change in consolidation scope” in Financial Report of this report.

9. The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	KPMG Hua Zhen LLP
Remuneration for domestic accounting firm (CNY'0000)	195
Consecutive period for the audit service of domestic accounting firm	1
Name of certified public accountant for the audit service of domestic accounting firm	Ms. Wang Ting, Ms. Chai Jing
Consecutive period for the certified public accountant's audit service of domestic accounting firm	1

Overseas accounting firm name (if have)	
Remuneration for overseas accounting firm (CNY '0000) (if have)	
Consecutive period for the audit service of overseas accounting firm(if have)	
Name of certified public accountant for the audit service of overseas accounting firm(if have)	
Consecutive period for the certified public accountant's audit service of overseas accounting firm (if have)	

Whether or not to employ a new accounting firm during the report period

Yes No

Whether or not to employ a new accounting firm during the audit period

Yes No

Whether the change in accounting firm fulfils approval procedure

Yes No

Detailed explanation for employing a new accounting firm and the change in accounting firm
This Company did not continue employing Deloitte Hua Yong certified public accountants co., Ltd. (special general partnership) to be the audit authority of 2019 annual financial report and internal control and to employ KMPG Hua Zhen LLP to be the audit authority of 2019 annual financial report and internal control. The employment period is one year and the annual audit expense (including travel expenses and total labor expenses) is CNY1.95million.

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

Available Not available

The Company employs KMPG Hua Zhen LLP to be the audit authority of 2019 annual financial report and internal control. The employment period is one year and the annual audit expense (including travel expenses and total labor expenses) is CNY1.95million.

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

Available Not available

11. Bankruptcy reorganization

Available Not available

There is no bankruptcy reorganization during the report period.

12. Material litigation and arbitration

Available Not available

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

13. Penalty and rectification

Available Not available

Name	Type	Reason	Type of investigation and punishment	Decision (if have)	Disclosure date	Disclosure index
Yantai Changyu Group Co., Ltd.	Shareholder holding more than 5% of equity	Fail to implement commitment strictly from 2013 to 2017	Other		April 4 th , 2019	<i>Rectification Report on Related Questions in Decision on Administrative Supervision Measures from China Securities Regulatory Commission Shandong Regulatory Authority by Relevant Responsible Personnel Yantai Changyu Pioneer Wine Co., Ltd. disclosed in China Securities Journal, Securities Times and CNINFO (http://www.cninfo.com.cn/) (announcement no.: 2019-temporaty 05)</i>
Yantai Changyu Pioneer Wine Co., Ltd.	Other	Issues of trademark and patent	Other		April 4 th , 2019	
Zhou Hongjiang, Qu Weimin	Senior executive	Zhou Hongjiang acting as the general manager at that time and Qu Weimin acting as the board secretary at that time fail to be industrious and responsible	Other		April 4 th , 2019	

Explanation for rectification situation

Available Not available

For detailed information about rectification situation, please refer to *Announcement on Commitments of Yantai Changyu Group Co., Ltd to Yantai Changyu Pioneer Wine Co., Ltd.* and *Rectification Report on Related Questions in Decision on Administrative Supervision Measures from China Securities Regulatory Commission Shandong Regulatory Authority by Relevant Responsible Personnel in Yantai Changyu Pioneer Wine Co., Ltd* disclosed in *China Securities Journal*, *Securities Times* and CNINFO on April 4th, 2019.

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

Available Not available

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

Available Not available

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

16. Significant related transactions

(1) Related transactions in relation to daily operations

Available Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY'0000)	Proportion accounting for amount of similar transactions	Approved transaction quota (CNY'0000)	Whether exceed approved transaction quota	Clearing form	Available market price of similar transactions	Disclosure date	Disclosure index
YantaiShe nma Packaging Co., Ltd.	Controlled by the same parent company	Purchase and commission processing	Purchase and commission processing packing materials	Agreement pricing	Determined by agreement	13,359	15.07%	17,500	No	Cash	No	April 20 th , 2019	<i>Announcement on 2019 Annual Routine Related Transaction</i> disclosed in <i>China Securities Journal, SecuritiesTimes</i> and CNINFO in 2019
Yantai Changyu Group Co. Ltd.	Parent company	Licensed use of intangible assets	Licensed use of trademark and patent	Agreement pricing	Determined by agreement	21,865	100%	21,865	No	Cash	No	April 4 th , 2019	
Total				-	-	35,224	--	39,365				-	-
Details of the return of large sales				No									
Actual performance of the estimated total amount for daily operations related transactions by category that will occur during this period. (if have)				No									
Reason for the deference between transaction price and market reference price(if available)				Not available									

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

Available Not available

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

(3) Related transactions in relation to common foreign investment

Available Not available

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

(4) Related current credit and debt transactions

Available Not available

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

Yes No

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

(5) Other major related transactions

Available Not available

Disclosure website of interim report for major related transaction

Name of interim announcement	Disclosure date of interim announcement	Name of disclosure website for interim announcement
<i>Announcement On Asset Replacement</i>	April 20 th , 2020	http://www.cninfo.com.cn

17. Major and important contracts and execution results

(1) Trusteeship, contract and leasehold issues

① Trusteeship situation

Available Not available

There is no trusteeship situation during the report period.

② Contract situation

Available Not available

Contract situation description

During the report period, about the Company's contract operation situation, please see "1.The structure of Enterprise group" in VIII "Rights and interests of other subject" in the financial report of this report.

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

Available Not available

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

③ Leasehold situation

Available Not available

There is no leasehold situation 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	34160	2016.12.21	34160	Mortgage; Pledge	10years	No	No
Total of the external guarantee quota approved during the report period (A1)				0	Total of the actual external guarantee amount during the report period (A2)		0	
Total of the external guarantee quota approved by the end of the report period (A3)				34160	Balance of the actual external guarantee by the end of the report period (A4)		34160	
Guarantee situations between the Company and subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Sales & Marketing Company of Yantai Changyu Pioneer Wine	2016.10.31	10,000	2016.11.05	10,000	Joint liability assurance	2 years	No	Yes

Company Limited								
Yantai Changyu Pioneer Wine Company Limited	2016.12.22	11,984	2016.12.21	11,984	Mortgage; Pledge	10 years	No	Yes
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	10 years	No	Yes
Kilikanoon Estate Pty Ltd	2017.12.12	7100	2018.01.09	7100	Joint liability assurance	1 year	No	Yes
Total of the guarantee quota approved to subsidiaries during the report period (B1)			0	Total of the actual guarantee amount for subsidiaries during the report period (B2)				0
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)			89,276	Balance of the actual guarantee for subsidiaries by the end of the report period (B4)				89,276
Guarantee situations between subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Hacienda Y Vinedos Marques Del Atrio. SL	2016.04.29	3,502	2015.10.08	3,502	Mortgage;	Long term	No	No
Indomita Wine Company Chile, SpA	2018.04.23	1,986	2018.04.20	1,986	Mortgage;	Long term	No	No
SocieteCivileAgricole Du Chateau De Mirefleurs		854	2019.07.30	854	Mortgage;	Long term	No	No
SCEA Chateau Liviersan		5,122	2019.07.30	5,122	Mortgage;	Long term	No	No
Total of the guarantee quota approved to subsidiaries during the report period (C1)			5,976	Total of the actual guarantee amount for subsidiaries during the report period (C2)				5,976
Total of the guarantee quota approved to subsidiaries by the end of the report			11,464	Balance of the actual guarantee for subsidiaries by				11,464

period (C3)		the end of the report period (C4)	
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)	5,976
Total of the approved guarantee quota by 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)	134,900
The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset			13.09%
Among :			
The amount of guarantee for shareholders, actual controllers and their related parties (D)			0
The amount of debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% directly or indirectly (E)			0
Total amount of guarantee of the part that exceeds 50% of net assets (F)			0
Total amount of the above-mentioned three items (D+E+F)			0
Explanation for undue guarantees that have happened warranty liability or may take joint payback liabilities during the report period (if have)			No
Explanation for violating due process to provide external guarantee (if have)			No

Specific explanation on adopting complex guarantee type

No.

② Illegal external guarantee

Available Not available

There is no illegal guarantee situation during the report period.

(3) Entrusting others to manage cash assets

① Financial management entrustment

Available Not available

There is no financial management entrustment during the report period.

② Loan entrustment

Available Not available

There is no loan entrustment during the report period.

(4) Other important contracts

Available Not available

There are no other important contracts during the report period.

18. Social Responsibility

(1) Social responsibility performance

Please refer to *2019 Annual Social Responsibility Report* disclosed on *Securities Times*, *China Securities Newspaper* and www.cninfo.com.cn by the Company.

(2) Targeted poverty alleviation social responsibility performance

① Targeted poverty plan

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

② Summary of annual targeted poverty

Related leaders of the Company visited the village, held meetings with local leaders and personnel receiving assistance and worked on the spot to discuss and accelerate assistance measures. 3 motor-pumped wells have been dugged to assist the target personnel in the construction of grape bases.

③ Targeted poverty effectiveness

At present, the Company has completed the preliminary preparations for targeted poverty alleviation in Dalangya Village, and officially started the implementation of poverty alleviation work.

④ Subsequent targeted poverty plan

No

(3) Environmental protection related situation

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

Yes

Name of company	Name of major pollutants	Mode of discharge	Quantity of	Distribution situation	Discharge concentration	Implementation of pollution discharge	Total volume	Total appraisal	Condition of

Company or subsidiary	and particular pollutants	Discharge	Discharge outlet	Location of discharge outlet	Compliance	Standard	Volume of discharge	Volume of discharge	Excessive discharge
Liaoning Changyu Icewine Chateau Co., Ltd.	Organized exhaust gas, inorganic exhaust gas, wastewater, noise	Discharge outlet of boiler chimney and discharge outlet of factory wastewater	2	Confirmed in line with national standard <i>Graphical Signs for Environmental Protection</i> (GB1556 2.1-1995) (GB1556 2.2-1995)	Meeting the national standards	<i>Emission Standard for Air Pollutants of Boiler</i> (GB13271-2014), <i>Emission Standard for Odor Pollutants</i> (GB14554-93), 4a in Class 2 of <i>Emission Standard for Environmental Noise at the Boundary of Industrial Enterprises</i> (GB12348-2008),, <i>Comprehensive Wastewater Discharge Standard of Liaoning Province</i> (DB21/1627-2008)	35m ³ /d	120 m ³ /d	No

Construction and operation of pollution prevention facilities

The exhaust gas, SO₂ and NO_x produced by this company's boiler are discharged through ceramic tube dust removers and bag dust removers. A wastewater treatment station has been constructed. The wastewater treatment process adopts the treatment process of hydrolysis-aerobiont. Production wastewater and domestic sewage are treated by the in-plant

wastewater treatment station and then discharged into the wastewater treatment plant in Beidianzixiang Town.

Environmental impact assessment of construction projects and other environmental protection administrative permits

It has been approved in the Huanhuanjianzi (2016) No.24 issued by the Environmental Protection Bureau of Huanren Manchu Autonomous County.

Emergency plan for emergent environmental incident

The Company has formulated a comprehensive emergency plan for emergent environmental incident.

Environmental self-monitoring program

The Company has formulated a complete environmental self-monitoring program.

Other environmental information that should be made public

No

Other related environmental information

No

19. Other Major issues

Available Not available

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

20. Major issues of Company's subsidiaries

Available Not available

VI. Changes in Shares and the Shareholders' Situation

1. Changes in shares

(1) Changes in shares

Unit: share

	Amount before this change		Change (+, -)					Amount after this change	
	Amount	Percentage %	Allot new share	Distribute bonus share	Transfer other capital to share capital	others	Sub total	Amount	Percentage %
1. Shares without trading limited condition	685,464,000	100.00%						685,464,000	100.00%
(1). A shares	453,460,800	66.15%						453,460,800	66.15%
(2). B shares	232,003,200	33.85%						232,003,200	33.85%
2. Total shares	685,464,000	100.00%						685,464,000	100.00%

Cause of share change

Available Not available

Approval of share change

Available Not available

Transfer ownership of changed shares

Available Not available

Implementation progress of share buy-back

Available Not available

Implementation progress of reducing holding buy-back share through the way of centralized bidding

Available Not available

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

Available Not available

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

Available Not available

(2) Changes in restricted shares

Available Not available

2. Securities issuance and listing situation

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

Available Not available

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

Available Not available

(3) Current employee shares

Available Not available

3. Situation for shareholders and the actual controllers

(1) The number of shareholders of the Company and the shareholdings

Total shareholders in the report period	43,856	Total number of shareholders by the end of last month before the disclosure day of the annual report	45,626	Total number of preferred shareholder recovering voting power by the end of report period (if have) (see note 8)	0	Total number of preferred shareholder recovering voting power by the end of last month before the disclosure day of the annual report (if have) (see note 8)	0	
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held until the end of the report period	Changes during the report period	Number of restricted shares	Number of unrestricted shares	Pledged or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO., LTD.	Domestic non-state legal person	50.40%	345,473,856	0		345,473,856		
GAOLING FUND, L.P.	Foreign legal person	3.08%	21,090,219	0		21,090,219		
CHINA SECURITIES FINANCE CORP	State legal person	2.25%	15,440,794	0		15,440,794		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826	0		15,241,826		
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	1.20%	8,243,333	-104,330		8,243,333		
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.93%	6,350,762	250,000		6,350,762		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.70%	4,810,345	-233,162		4,810,345		
CENTRAL HUIJIN ASSET MANAGEMENT LIMITED	State legal person	0.69%	4,761,200	0		4,761,200		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.55%	3,788,487	0		3,788,487		
FIDELITY CHINA SPECIAL	Foreign legal person	0.55%	3,779,202	0		3,779,202		

SITUATIONS PLC							
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders(if have)(see note 3)	No						
The explanation for the associated relationship and accordant action	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, while the relationship among the other shareholders is unknown.						
The top 10 shareholders with shares without trading limited condition							
Name of Shareholders	Number of shares without trading limited condition held until the end of the year	Type of share					
		Type of share	Amount				
YANTAI CHANGYU GROUP CO., LTD.	345,473,856	A	345,473,856				
GAOLING FUND,L.P.	21,090,219	B	21,090,219				
CHINA SECURITIES FINANCE CORP	15,440,794	A	15,440,794				
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	15,241,826	B	15,241,826				
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	8,243,333	B	8,243,333				
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,350,762	B	6,350,762				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,810,345	B	4,810,345				
CENTRAL HUIJIN ASSET MANAGEMENT LIMITED	4,761,200	A	4,761,200				
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,788,487	B	3,788,487				
FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B	3,779,202				
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.						
Explanation for the top 10 shareholders who involved in financing activities and stock trading business (if have)(see note 4)	The top 10 shareholders do not involve in financing activities and stock trade business.						

Whether or not the Company's top 10 common shareholders and shareholders withshares without trading limited conditiontake agreed repurchase trading during the report period

Yes No

There is no agreed repurchase trading taken by the Company's top 10 common shareholders and shareholders withshares without trading limited conditionduring the report period.

(2) Situation for the controlling shareholders of the Company

Property of holding shareholders: Property of holding main body undefined

Type of holding shareholders: Legal representative

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

Changes in the controlling shareholder during the report period

Available Not available

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

(3) Situation for the actual controllers of the Company

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

Type of actual controllers: Legal representative

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

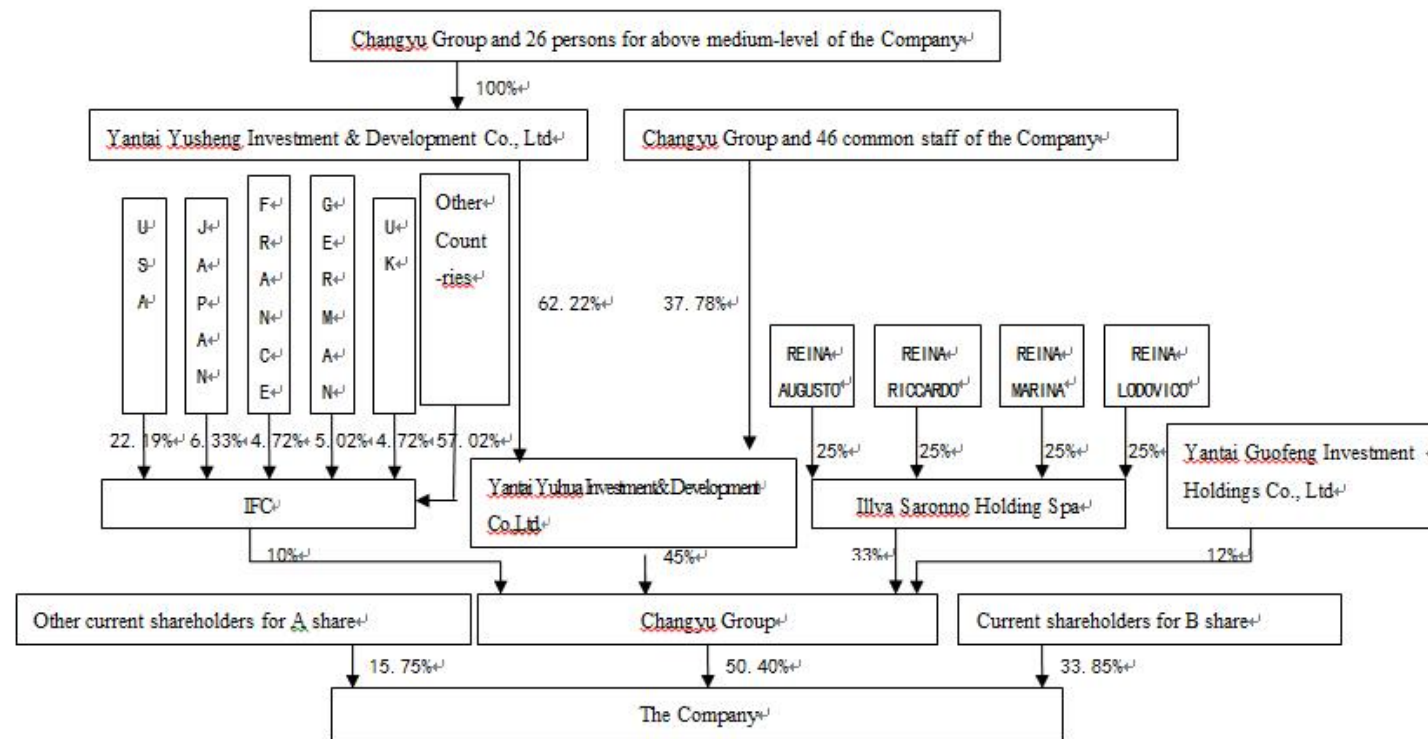
Co., Ltd.				wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electrical products, grape plantation.
ILLVA Saronno Holding S.p.a.	Augusto Reina	1984.07.25	—	Directly or indirectly conduct the production and distribution of food products (alcoholic products included) as well as industrial, commercial, financial and service activities of any other kinds through joint-stock companies and organizations.
International Finance Corporation	Philippe LE HOUEROU	1956.07.25	—	International Finance Corporation is one of the members of World Bank, mainly dedicated to investment in private sectors of developing countries while providing technical support and consultation service. The corporation is a multilateral financial institution that ranks first in the world in terms of providing capital stock and loans to developing countries. Its purpose is to promote sustainable investments of private sectors of developing countries in order to alleviate poverty and improve people's life.
Yantai Guofeng Investment Holdings Group Co., Ltd.	Rong Feng	2009.02.12	00426068-6	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing service business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.(Projects need to be authorized in accordance with the law could carry out business activities only after the approval of relevant departments)
Equity situation for the other domestic listed companies controlled by the actual controller during the report period	Yantai Yuhua Investment & Development Co., Ltd. did not control the equity of other domestic and foreign listed companies except the Company during the reporting period; It is not clear that other actual controllers control the equity of other domestic and foreign listed companies other than the Company during the reporting period.			

Changes of the actual controllers during the report period

Available Not available

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

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



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

Available Not available

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

Available Not available

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

Available Not available

VII. Related Situation of Preferred Shares

Available Not available

There are no preferred shares during the report period.

VIII. Related Situation of Convertible Corporate Bonds

Available Not available

There are no convertible corporate bonds during the report period.

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

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

Name	Post	Status	Gender	Age	Beginning date of tenure	Ending date of tenure	Shares held at the beginning of the period	Increased shares during the period	Decreased shares during the period	Other changes of shares held	Shares held at the end of the period
Zhou Hongjiang	Chairman	Incumbent	M	55	2002.05.20	2022.05.18	0	0	0	0	0
Sun Liqiang	Director	Outgoing	M	72	1997.09.18	2019.05.17	0	0	0	0	0
Leng Bin	Director	Incumbent	M	57	2000.08.22	2022.05.18	0	0	0	0	0
Sun Jian	Director	Incumbent	M	53	2019.05.17	2022.05.18	0	0	0	0	0
Li Jiming	Director	Incumbent	M	53	2019.05.17	2022.05.18	0	0	0	0	0
Chen Dianxin	Director	Incumbent	F	53	2019.05.17	2022.05.18	0	0	0	0	0
Qu Weimin	Director	Outgoing	M	62	1997.09.18	2019.05.17	0	0	0	0	0
Zhang Ming	Director	Outgoing	M	46	2016.05.26	2019.05.17	0	0	0	0	0
Augusto Reina	Director	Incumbent	M	79	2006.12.07	2020.02.20	0	0	0	0	0
Aldino Marzorati	Director	Incumbent	M	67	2006.12.07	2020.05.18	0	0	0	0	0
Appignani Antonio	Director	Outgoing	M	81	2006.12.07	2019.05.17	0	0	0	0	0
Enrico Sivieri	Director	Incumbent	M	51	2019.05.17	2022.05.18	0	0	0	0	0
Wei Anning	Director	Incumbent	M	56	2017.06.15	2022.05.18	0	0	0	0	0
Wang Zhuquan	Independent director	Incumbent	M	54	2014.05.23	2022.05.18	0	0	0	0	0
Wang Shigang	Independent director	Outgoing	M	54	2011.05.10	2019.05.17	0	0	0	0	0
Luo Fei	Independent director	Incumbent	M	67	2016.09.23	2022.05.18	0	0	0	0	0

Duan Changqing	Independent director	Incumbent	M	55	2019.05.17	2022.05.18	0	0	0	0	0
Liu Huirong	Independent director	Incumbent	F	56	2019.05.17	2022.05.18	0	0	0	0	0
Liu Qinglin	Independent director	Incumbent	M	56	2019.07.02	2022.05.18	0	0	0	0	0
Liu Yan	Independent director	Outgoing	F	46	2016.09.23	2019.05.17	0	0	0	0	0
Guo Guoqing	Independent director	Outgoing	M	57	2018.12.04	2019.07.02	0	0	0	0	0
Kong Qingkun	Chairman of the Board of Supervisors	Incumbent	M	47	2013.05.14.	2022.05.18	0	0	0	0	0
Zhang Lanlan	Supervisor	Incumbent	F	50	2013.05.14.	2020.05.18	0	0	0	0	0
Liu Zhijun	Supervisor	Incumbent	M	39	2016.05.26	2020.05.18	0	0	0	0	0
Sun Jian	General manager	Incumbent	M	53	2018.01.10	2022.05.18	0	0	0	0	0
Li Jiming	Chief engineer	Outgoing	M	53	2001.09.14	2019.05.28	0	0	0	0	0
Li Jiming	Deputy general manager	Incumbent	M	53	2019.05.28	2022.05.29	0	0	0	0	0
Jiang Hua	Deputy general manager	Incumbent	M	56	2001.09.14	2022.05.29	0	0	0	0	0
Peng Bin	Deputy general manager	Incumbent	M	53	2018.01.10	2022.05.29	0	0	0	0	0
Qu Weimin	Board secretary	Outgoing	M	62	1997.09.18	2019.05.28	0	0	0	0	0
Jiang Jianxun	Chief financial officer	Outgoing	M	53	2018.01.10	2019.05.27	0	0	0	0	0
Jiang Jianxun	Deputy general manager and Board secretary	Incumbent	M	53	2019.05.28	2022.05.29	0	0	0	0	0
Pan Jianfu	General manager assistant	Incumbent	M	44	2018.04.19	2022.05.29	0	0	0	0	0
Liu Shilu	General manager assistant	Incumbent	M	45	2018.04.19	2022.05.29	0	0	0	0	0
Xiao Zhenbo	General manager assistant	Incumbent	M	43	2018.04.19	2022.05.29	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

2. Changes in the Company's directors, supervisors and senior executives

Available Not available

Name	Position	Type	Date	Reason
Sun Liqiang	Director	Outgoing due to the expiry of term	2019.05.17	The term of office has expired and will no longer be appointed as a

				director
Qu Weimin	Director	Outgoing due to the expiry of term	2019.05.17	The term of office has expired and will no longer be appointed as a director
Zhang Ming	Director	Outgoing due to the expiry of term	2019.05.17	The term of office has expired and will no longer be appointed as a director
Appignani Antonio	Director	Outgoing due to the expiry of term	2019.05.17	The term of office has expired and will no longer be appointed as a director
Wang Shigang	Independent director	Outgoing due to the expiry of term	2019.05.17	The term of office has expired and will no longer be appointed as an independent director
Liu Yan	Independent director	Outgoing due to the expiry of term	2019.05.17	The term of office has expired and will no longer be appointed as an independent director
GuoGuoqing	Independent director	Outgoing	2019.07.02	Voluntary resignation prior to expiration of term
Li Jiming	Chief engineer	Outgoing due to the expiry of term	2019.05.28	The term of office has expired and will no longer be appointed as a chief engineer
Qu Weimin	Board secretary	Outgoing due to the expiry of term	2019.05.28	The term of office has expired and will no longer be appointed as a board secretary
Jiang Jianxun	Chief financial officer	Outgoing due to the expiry of term	2019.05.28	The term of office has expired and will no longer be appointed as a chief financial officer
Sun Jian	Director	Appointment	2019.05.17	Be appointed as a director of the Company
Li Jiming	Director	Appointment	2019.05.17	Be appointed as a director of the Company
Chen Dianxin	Director	Appointment	2019.05.17	Be appointed as a director of the Company
Enrico Sivieri	Director	Appointment	2019.05.17	Be appointed as a director of the Company
DuanChangqing	Independent director	Appointment	2019.05.17	Be appointed as an independent director of the Company
Liu Huirong	Independent director	Appointment	2019.05.17	Be appointed as an independent director of the Company
Liu Qinglin	Independent director	Appointment	2019.07.02	Be appointed as an independent director of the Company
Li Jiming	Deputy general manager	Appointment	2019.05.28	Be appointed as a deputy general manager of the Company
Jiang Jianxun	Deputy general manager and Board secretary	Appointment	2019.05.28	Be appointed as a deputy general manager of the Company and board secretary

3. Situation for work experience

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

(1) Members of Board of Directors

Mr. Zhou Hongjiang, male, 55, Chinese, with doctoral degree, senior engineer, used to be the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd., the Deputy General Manager, the General Manager and the Deputy Chairman of Yantai Changyu Pioneer Wine Co., Ltd.. He is incumbent as the representative of the 13th National People's Congress, the Chairman of Yantai Changyu Group Co., Ltd., and the board director and the Chairman of the Company.

Mr. Leng Bin, male, 57, Chinese, with master degree, senior accountant, used to be the Deputy Section Chief and the Section Chief of Yantai Audit Bureau, the board director and the Chief Accountant of Yantai Changyu Group Co., Ltd. and the board director and the Deputy General Manager of the Company. He is incumbent as the board director of the Group Company and the Company, and with an additional post of the General Manager of the Group Company.

Mr. Sun Jian, male, 53, Chinese, MBA, used to be the Deputy General Manager of the Company. He is incumbent as the board director and the General Manager of the Company, and with an additional post of the board director of the Group Company.

Mr. Li Jiming, male, 53, Chinese, with doctoral degree, application researcher, used to be the Chief Engineer of the Company. He is incumbent as the board director and the Deputy General Manager of the Company, and with an additional post of the board director of the Group Company.

Mrs. Chen Dianxin, female, 53, Chinese, with master degree of the Party School; from July 1985 to September 2013, she successively served as staff of Yantai Chemical Purchasing and Supply Station, Yantai Bureau of Commerce for secondment, staff of Yantai State-owned Assets Assessment Center, the Deputy Director of Yantai State-owned Assets Assessment Center, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Bureau, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Supervision and Administration Commission, full-time Deputy Secretary of Party branch in Yantai State-owned Assets Supervision and Administration Commission, the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission. From September 2013 to February 2014, she served as the Director of retired carders work office and the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission. From February 2014 to October 2018, she served as the Director of retired carders work office in Yantai State-owned Assets Supervision and Administration Commission (During the period, she successively and concurrently served as the Director of Yantai Moon Group Co., Ltd. and Yantai Moon Co., Ltd., director of Yantai Tayho Advanced Materials Group Co., Ltd., the Chairman of Yantai Guofeng Investment Holding Group Co., Ltd., the Chairman and the General Manager of Yantai Guosheng Investment Holding Co., Ltd., the Chairman of Yantai Guoxin Investment Holding Co., Ltd., the Vice Chairman and the Director of Yantai CIMC Raffles Offshore Co., Ltd., the Vice chairman and the Director of Yantai CIMC Raffles Shipyard Co., Ltd. and the

Director of Yantai Guoyu Lease Finance Co., Ltd. and so on). Since October 2018, she has been served as the Deputy Secretary of Party branch and the General Manager of Yantai Guofeng Investment Holding Group Co., Ltd. and the current board director of the Company.

Mr. Augusto Reina, male, 79 by the end of 2019, Italian, died on February 19th, 2020 (local time) (Beijing time: February 20th, 2020) died as the Chief Executive Officer of several companies including Illva Saronno Holding S.p.A. and Illva Saronno Investment S.R.L., the member of the board of directors of Barberini S.p.a., the director of Federvini (Italian Alcohols Production and Export Association), the director of Istituto Del Liquore (Wine Research Institute), the director of Assovini (Sicily Viniculture and Wine Production Association) and the board director of the Changyu Group Co., Ltd. and the Company.

Mr. Aldino Marzorati, male, 67, Italian, with bachelor degree, serves currently as the General Manager of Illva Saronno Holding S.p.A, the member of the board of directors of some branches under the Group Company and the board director of Changyu Group Co., Ltd. and the Company.

Mr. Enrico Sivieri, male, 51, Italian, with bachelor degree, served successively as the financial controller of ARNEG S.p.a., the commercial analyst of SPILLERS FOODS ITALIA S.p.a., the trade controller of Nestle' Purina Petcare Europe, European marketing & sales controller of Nestle' Purina Petcare Europe, the European supply chain controller of Nestle' Purina Petcare Europe, the Southern Europe regional controller of Nestle' Purina Petcare Europe and the Director of group financial controlling of Illva Saronno Holding S.p.A., and currently serving as a member of the board of directors for Royal Oak Distillery Ltd. and the General Manager of Illva Saronno Holding S.p.A. and the board director of the Company.

Mr. Wei Anning, male, Chinese, 56, with doctoral degree, ever served as Agricultural Economist of the World Bank, the Director of North East Asia Food & Agribusiness Research of the Rabobank, China CEO of the Fortis Bank Belgium, the Executive Deputy President of the New Hope Group (Sichuan), the President of Shandong Liuhe Group, the Director of Xinjiang Kuntai Group Co., Ltd., the Director of Hangzhou United Rural Commercial Bank Co., Ltd, the Chairman of the Shandong Chinwhiz Group. He is good at corporate governance, enterprise development strategy and equity investments. Now, he is serving as the Executive Director and the General Manager of Shanghai Gueva Fund Management Co., Ltd Co., Ltd, the Executive Director of both Ningxia Gueva Fund Management Co., Ltd and Ningbo Gueva Fund Management Co., Ltd, the independent director of Dachan Food (Asia) Co., Ltd, Orient Securities Co., Ltd and Fortune SG Fund Management Co., Ltd..He is serving as the board director of the Group Company and the Company.

Mr. Luo Fei, male, 67, Chinese, with doctoral degree, visiting scholar of University of Toronto, doctoral supervisors, Government Special Allowance expert, first batch of trans-century subject (academic) leading personals of Financial Department. He successively served as the Dean of Accounting Institute in Zhongnan University of Economics and the Dean of Accounting Institute in Zhongnan University of Economics and Law. He focuses on the study of Financial Accounting, Cost Accounting, Financial Management, and so on. He has worked in companies for many years and has practical working experience with companies. Now he is serving as independent director of the Company.

Mr. Wang Zhuquan, male, 54, Chinese, with doctoral degree of Management (Accountancy), first batch of national accounting academic leading personals of Financial Department, the entrant of accountant master cultivation project of Financial Department,

outstanding teacher of Shandong province, Government Special Allowance expert, acted as independent director of the Company from 13th May, 2010 to 12th May, 2013. Now he is a professor and a doctoral supervisor of the Ocean University of China as well as the current independent director of the Company and the some listed companies which could be exemplified as Qingdao Double-Star Co., Ltd.

Mr. Duan Changqing, male, 55, Chinese, with doctoral degree, professor, doctoral and master's supervisor, and the national senior winemaker and senior wine taster. He currently serves as the chief scientist of national grape industry technology system and the Director of Wine Processing Key Laboratory of Ministry of Agriculture and Rural Affairs. Meanwhile, he holds concurrent posts of the Director of China Wine Technology Committee, the Director of China Wine and Fruit Wine Expert Committee, the Executive President and the Secretary General of Grape and Wine Branch of Chinese Horticultural Society and the Vice President of China Agricultural Society Grape Branch. His major research fields are the basic theoretical research and related high and new technology research and development as well as application promotion work in the direction of suitability between ecology in producing area and grape variety and liquor variety, evolution mechanism and directional brewing of wine flavor formation, grape fruit flavor metabolism regulation and product flavor quality evaluation and so on. He is a current independent director of the Company.

Mrs. Liu Huirong, female, 56, Chinese, with doctoral degree, the former Deputy Dean and Dean of the Institute of Political Science and Law of Ocean University of China. She used to serve as an independent director of Sailun Group Co., Ltd., Longda Meat and Sacred Sun Co., Ltd. and Shandong Sacred Sun Power Sources Co., Ltd.. Currently, she is a second-level professor and doctoral supervisor of Ocean University of China and with additional post as a researcher of the "Belt and Road Initiative" Judicial Research Center of the Supreme People's Court, an expert at the Supreme People's Court for foreign-related commercial and maritime action expert database, the Deputy Chairman of the sixth Shandong Law Society and the Deputy Director of the Academic Committee, and the Chairman of the Qingdao Law-based Government Research Institute. Her research fields are International Law and Legislative Science. She has won the title of *Shandong Top Ten Outstanding Young and Middle-aged Jurists*, the third prize of *Excellent Social Science Achievement of the Ministry of Education*, the third prize of *Shandong Excellent Social Science Achievement*, the second prize of *Shandong Excellent Philosophy and Social Science Achievement*, the first prize of *Excellent Achievement of Shandong Education Department* and the *Top Talent in Qingdao City*. She is a current independent director of the Company.

Mr. Liu Qinglin, male, 56, doctoral degree of Management, Chinese, no overseas permanent residence. He is currently a professor and doctoral supervisor of Economics Faculty of Shandong University, the Director of Institute for World Economy Studies of Shandong University, the Executive Deputy President of Shandong Institute of Development of Shandong University, a member of a council of China Society of World Economics, an executive member of a council of The Association for Canadian Studies in China and Shandong Youth Scholars Association, a member of a council of Shandong Association for Business Economics and Shandong Price Association. He currently serves as an independent director of Shandong Xinneng Taishan Power Generation Co., Ltd., an independent director of Weihai Huadong Automation Co., Ltd. and an independent director of the Company.

(2) Members of board of supervisors

Mr. Kong Qingkun, male, 47, Chinese, MBA and economist, successively served as a section member of production department in the healthy liquor branch office, a clerk and the Deputy Director and the Director of general manager office.

Ms. Zhang Lanlan, female, 50, bachelor degree and economist, successively served as the Deputy Manager of the import and export branch of the Company and the Manager of import department of the Company. She now is the Director of board of directors' office.

Mr. Liu Zhijun, male, 39, Chinese, bachelor degree, worked in foreign fund department of Economy and Trade Bureau in Longkou Economic Development Zone, served as a news section member of propaganda department in Longkou Municipal Committee, a member of propaganda and mass work section, a member of planning section, the Deputy Director Member of programming development and enterprise distribution section, the Deputy Director Member and the Deputy Chief of programming development section. He now is a supervisor of the Company.

(3) Other senior executives

Mr. Jiang Hua, male, 56, Chinese, with master degree, senior engineer, has been serving as the Deputy General Manager of the Company since 14th September, 2001.

Mr. Peng Bin, male, 53, MBA, senior engineer, ever successively served as the Deputy Director of wine-blending workshop and the Director of wine-storage workshop of Brandy Company under Yantai Changyu Group Co., Ltd., the Department Chief of Technical Transformation Department and the Minister of Investment and Development Department as well as the Deputy General Manager of Yantai Changyu Group Co., Ltd. and the General Manager Assistant of Yantai Changyu Group Co., Ltd.. He serves as the Deputy General Manager of the Company.

Mr. Jiang Jianxun, male, 53, Chinese, MBA and accountant, served as the Financial Manager of the Company from 20th May, 2002 to 10th January, 2018. He serves as the Deputy General Manager and Board Secretary of the Company.

Mr. Pan Jianfu, male, Han ethnic, Chinese, 44, MBA and senior economist, used to serve as the General Manager of the Jiangxi Branch of the Company, the General Manager of the Shanghai marketing management company and the General Manager of Beijing marketing management center. Currently, he is the General Manager Assistant of the Company and the General Manager of Beijing marketing management center and Beijing Chateau AFIP.

Mr. Liu Shilu, male, Han ethnic, Chinese, 45, master degree, used to be the Manager of Tianjin branch of the Company, the Competence Manager of North China market, the General Manager of Beijing marketing management company, the General Manager of Guangdong marketing management center and the General Manager of e-commerce branch of the Company. Currently, he serves as the General Manager Assistance of the Company and the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd..

Mr. Xiao Zhenbo, male, Han ethnic, Chinese, 43, MBA, served as the Deputy Manager of the Company's market strategy development center, the General Manager of Shandong marketing management company and Yantai Changyu liquor company. He currently serves as the General Manager Assistant of the Company and the General Manager of Zhejiang marketing management company.

Post in the shareholder's company

Available Not available

Name	Shareholder's Company	Post	Beginning date of the post	Ending date of the post	Paid by shareholder's company or not
Zhou Hongjiang	Yantai Changyu Group Co., Ltd.	Chairman	2018.01.10	2022.01.11	No
Leng Bin	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	Yes
Leng Bin	Yantai Changyu Group Co., Ltd.	General manager	2018.01.10	2022.01.11	Yes
Sun Jian	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Li Jiming	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Chen Dianxin	Yantai Changyu Group Co., Ltd.	Director	2018.11.15	2022.01.11	No
Augusto Reina	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Aldino Marzorati	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Enrico Sivieri	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Stefano Battioni	Yantai Changyu Group Co., Ltd.	Director	2020.04.09	2022.01.11	No
Wei Anning	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Explanation for the post in the shareholder's company	No.				

Post at other companies

Available Not available

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

Available Not Available

During the report period, the Shandong Regulatory Bureau of China Securities Regulatory Commission issued a "Decision on Measures to Issue Warning Letters to Mr. Zhou Hongjiang and Mr. Qu Weimin", but it did not impose administrative penalty on Mr. Zhou Hongjiang and Mr. Qu Weimin.

4. Salary of directors, supervisors and senior executives

The situation of decision-making process, the basis of determination and the actual payment of directors, supervisors and senior executives

The salary for the independent directors is paid according to the resolution of shareholders' meeting. The salary for the chairman, directors with administration duty, supervisors, managers and other senior management should be paid on basis of the evaluation result according to the Yantai Changyu Pioneer Wine Co., Ltd. Executive Compensation and Performance Design, which was passed during the Board of Directors' meeting.

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

Unit: CNY'0000

Name	Post	Gender	Age	Status	Total reward from the Company before tax	Whether get reward from related parties of the Company
Zhou Hongjiang	Chairman	M	55	Incumbent	146.53	No
Sun Liqiang	Director	M	72	Outgoing	61.06	No
Leng Bin	Director	M	57	Incumbent	0	Yes
Sun Jian	Director and General Manager	M	53	Incumbent	132.12	No
Li Jiming	Director and Deputy General Manager	M	53	Incumbent	98.33	No
Chen Dianxin	Director	F	53	Incumbent	0	No
Qu Weimin	Director and Board Secretary	M	62	Outgoing	41.68	No
Zhang Ming	Director	M	46	Outgoing	0	No
Augusto Reina	Director	M	79	Incumbent	0	No
Aldino Marzorati	Director	M	67	Incumbent	0	No
Appignani Antonio	Director	M	81	Outgoing	0	No
Enrico Sivieri	Director	M	51	Incumbent	0	No
Wei Anning	Director	M	56	Incumbent	0	No
Wang Zhuquan	Independent Director	M	54	Incumbent	8	No
Wang Shigang	Independent Director	M	54	Outgoing	4	No
Luo Fei	Independent Director	M	67	Incumbent	8	No
Duan Changqing	Independent Director	M	55	Incumbent	5.33	No
Liu Huirong	Independent Director	F	56	Incumbent	5.33	No
Liu Qinglin	Independent Director	M	56	Incumbent	4	No
Liu Yan	Independent Director	F	46	Outgoing	4	No
GuoGuoqing	Independent Director	M	57	Outgoing	8	No
Kong Qingkun	Chairman of the Board of Supervisors	M	47	Incumbent	67.19	No
Zhang Lanlan	Supervisor	F	50	Incumbent	21.48	No
Liu Zhijun	Supervisor	M	39	Incumbent	0	No
Jiang Hua	Deputy General Manager	M	56	Incumbent	110.23	No
Peng Bin	Deputy General Manager	M	53	Incumbent	95.23	No
Jiang Jianxun	Deputy General Manager and Board Secretary	M	53	Incumbent	101.54	No
Pan Jianfu	General Manager Assistant	M	44	Incumbent	65.47	No
Liu Shilu	General Manager Assistant	M	45	Incumbent	73.21	No
Xiao Zhenbo	General Manager Assistant	M	43	Incumbent	97.79	No
Total	-	-	-	-	1,158.52	-

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

Available Not available

5. Staff of the Company

(1) Staff number, specialty constitution and education degree

Incumbent staff number of parent company (people)	1,280
Incumbent staff number of major subsidiary companies (people)	1,399
Total incumbent staff (people)	2,679
Total staff getting paid in current period (people)	2,679
Retired staff number whose expenses are undertaken by parent company or	0

Specialty constitution	
Category	Number of people (people)
Production staff	873
Sales staff	1,316
Technical staff	165
Financial staff	131
Administrative staff	194
Total	2,679
Education degree	
Category	Number (People)
Bachelor and above	907
Junior College	884
Technical secondary school	495
Senior high school and below	393
Total	2,679

(2) Remuneration policy

The Company has established and improved the remuneration and welfare system, including salary system, incentive mechanism, social security and medical insurance and so on, to ensure the participation of all employees. In accordance with the law, the Company purchases social endowment insurance, medical insurance, occupational injury insurance, unemployment insurance and maternity insurance, and pays housing fund for the employees. Based on the principle of “distribution according to work and equal pay for equal work”, the Company pays the staff’s remuneration timely. With the improvement of the Company’s profitability, the Company steadily improves the staff’s remuneration and welfare, and provides its employees the competitive salary and equal opportunity for development.

(3) Training plan

① Senior and Middle-level Managers

1) General training

By hiring professional lecturers to the Company or giving centralized lectures through remote network videos, the Company could select training topics related to the company’s industrial development, business direction and management philosophy to expand the strategic thinking of middle and senior managers, improve the business philosophy and improve the scientific decision-making ability and business ability.

The Company takes meetings instead of training; during each meeting, to learn the central, national and governmental fundamental policies, to analyze the domestic and international political situation and economic situation, and research and interpret the influences of relevant policies and regulations on the development of the Company; meanwhile, through the research and analysis of domestic and foreign industry production, technology, management, marketing and other development trends, it provides a basis for the Company to timely adjust the business strategy.

2) Professional training

Middle and senior management personnel determine self-study books by optional ways every year, and submit their post-reading and suggestions for the Company’s development at the end of the year.

According to the different personal responsibilities, the Company organizes management team to attend high-end entrepreneurial forums and summits, and to visit and learn from successful enterprises at home and abroad.

Middle-level managers are encouraged to participate in university correspondence and self-taught examination, or engage in advanced studies such as MBA and other master degrees. The Company organized professional managerial staffs from human resource, finance, equipment, safety and technical quality to participate in the qualification examination and obtain qualification certificates.

The Company organized managers to participate in specialized training of safety, human resource, law, technology, equipment, finance, WSET, tourism, etc. organized by the professional management departments.

② Ordinary Management Personnel

1). General training

The Company sets courses aiming at improving employees' management ability, innovation ability and executive ability, and hiring professional lecturers or university teachers to teach at the Company.

Ordinary management personnel are encouraged to attend the common-sense general trainings including enterprise culture, regulation framework and various liquor products knowledge.

The Company organizes employees' outdoor quality development trainings in order to improve team work and cohesion.

2). Professional training

During the year, the professional supervisors selected 2 books for their ordinary management personnel for personal self-study; at the end of the year, the ordinary management personnel submit post-reading and the development suggestions for the Company.

The Company encourages qualified ordinary management personnel to take university correspondence and self-taught examination, or engage in advanced studies such as MBA and other master degrees. The Company organized professional managerial staffs from human resource, finance, equipment, safety and technical quality to participate in the qualification examination and obtain qualification certificates.

③ First-line Production Personnel

1). General training

First-line production personnel participate in the general training on enterprise culture, rules and regulations and the knowledge of various alcoholic products of the Company organized by their units, and strengthen the knowledge training on human resource management, such as attendance management, labor discipline and comprehensive evaluation and so on.

2). Professional training

For workers of different trades such as electricians, coolerman, forklift drivers, assemblers, tour guides, personalized product designers, etc., the Company organizes them to participate in training to improve professional skills and operation levels, as well as the special training on safety, technology, equipment and comprehensive management of the unit, and participate in the vocational skills completion organized by the City Municipal Bureau of Human Resources and Social Affairs.

④ Marketing Personnel

1). General training

Marketing personnel independently study mainly focuses on the marketing textbooks of "Growth", as well as training materials including the Company's related management system, production knowledge, sales responsibility system, etc..

2). Professional training

Professional lecturers would be employed to the company or through remote internet videos to give lectures about successful liquor cases, current economic trend research for domestic and foreign wine industry and other topic in order to take training for personnel whose levels are or above manager assistant in city marketing management companies.

Besides that, the Company takes training for city marketing managers on how to improve marketing skill as well as executive force of sales policy by professional management cadres or hired professional lecturers.

For business directors and other personnel, each marketing management company shall base itself on the local area to conduct trainings on successful marketing cases and marketing management concepts with the combination training method of hiring lecturers and going out to visit and learn.

⑤ New Entry University Students

New entry university students are trained by middle and senior managers in the aspects of corporate culture, rules and regulations, production safety, product quality, marketing strategy, salary and assessment system, etc.; meanwhile, professional lecturers will be hired to conduct training on role change, workplace etiquette, teamwork and other aspects, as well as interspersed the military training and quality development training.

(4) Labor outsourcing

Available Not available

X. Corporate Governance

1. Current Corporate Governance Situation of the Company

(1) About shareholders and shareholders' meeting

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

(2) About the Company and holding shareholder

The Company has independent business and self-management capacity, which is independent from the controlling shareholders in business, staffs, assets, institutions and finance. The Board of Directors, Board of Supervisors, management teams and also internal institutions are able to operate independently in the Company. The controlling shareholders of the Company could regulate their behaviors without directly or indirectly interfering in the Company's decision-making and business activities beyond the shareholder's meeting; meanwhile, there is no case of encroaching on the Company's assets and damaging the interest of the Company and minority shareholders.

(3) About the director and board of directors

The Company strictly appoints all directors in light of *Corporation Act* and *Articles of Associations*. The qualifications of all directors are in line with the requirements of laws and regulations. In accordance with the requirements of *Corporate Governance Guidelines*, the Company has carried out the cumulative voting system in the director selection. At present, the Company has five independent directors accounting for above one third of all directors, and the number and personnel composition of board of directors was basically in accord with requirements of regulations as well as *Articles of Associations*. All directors of the Company were able to carry out work in accordance with the *Rules of Board of Directors' Procedure* and *Working Rules for Independent Directors*, punctually attended the board of directors' and shareholders' meetings, actively took part in relevant knowledge training, were familiar with the laws and regulations concerned, had a deep knowledge and long experience of practitioners, and performed their duties according to the law and regulations. The Board of Directors convened the meetings complies with relevant laws and regulations.

(4) About supervisor and board of supervisors

The Company strictly elected all supervisors in light of the procedures stipulated in the *Corporation Act* and *Articles of Associations*. At present, board of supervisors has three people among which one supervisor is representative for staff. The number and composition of board of supervisor meet the requirements of regulations and laws. All supervisors of the Company could follow the requirement of *Rules of Board of Supervisors' Procedure*, insist the principle of responsibility to all shareholders, seriously perform their duties, effectively supervise and present their independent opinions on important issues, interrelated deals, financial status, the duty performance of directors and managers of the Company.

(5) About performance evaluation and incentive system

The engagement of managers was open and transparent, and accorded with laws and regulations. The Company has established and gradually improved the performance

evaluation standard and formed efficient incentive system, so as to ensure the salary of staff to be linked with work performance.

(6) About stakeholders

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

(7) About the information disclosure and transparency

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

In order to further perfect the Company's governance system, during the report period, the Company formulated and improved the management systems including *Three-year Plan for Wine and Brandy Raw Materials and Bulk Wines*, *Options on the Construction of the Winemaker Team of Changyu Company* and so on.

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

Yes No

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

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

(1) Personnel Arrangement

The Company's general manager, deputy general managers and other senior officers, all of whom were paid by the Company and did not hold any concurrent administrative ranks in the controlling units. The Company was entirely independent in personnel arrangement, conclusion and adjustment of labor contracts thanks to its sound and independent system for labor, personal and salary management.

(2) Assets:

Tangible assets and Intangible assets including trademark, industrial property right and non-patent technologies were all clearly divided between the Company and the controlling shareholders, and all legal formalities were completed. As an independent legal entity, the Company operates independently in accordance with the law, and does not provide any form of guarantee with its assets for shareholders' or individuals' liabilities or other legal or natural persons. The Company owns trademarks including “黄金冰谷”, “爱斐堡”, “爱菲堡”, “爱斐” and “AFIP”, etc. However, due to some historical problems, the ownership of the intangible assets such as the trademark of “张裕” (Changyu) that the Company is licensed to use, patent and so on is still owned by the controlling shareholders. Except for partial trademarks which cannot be separated from “张裕” (Changyu) trademark, the trademarks

and patents that could have been registered or applied by the Company but were registered or applied by Changyu Group who then authorized the Company for usage, excluding a handful of which are unable to transfer due to the reasons such as litigation, most of them have been transferred to the Company by Changyu Group for free before the end of 2019 in order to ensure the independence and completeness of the Company's assets.

(3) Finance

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

(4) Independent Institutions

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

(5) Operations

The operations of the Company are independent of the controlling shareholders. The Company owns itself completely independent systems covering research and development, financial accounting, labor and human resource, quality control, raw materials purchase, production and sales, has the independent management ability, and does not have the problem that entrusts the controlling shareholders to buy and sell on commission, nor exist the horizontal competition with controlling shareholders.

3. Situation for Horizontal Competition

Available Not available

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

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

Session	Meeting type	Participation ratio of investors	Convening date	Disclosure date	Disclosure Index
2018 Annual Shareholders' Meeting	Annual shareholders' meeting	60.86%	2019.05.17	2019.05.18	http://www.cninfo.com.cn Resolution Announcement of 2018 Annual Shareholders' Meeting (Announcement no.:2019-Temporary25)
2019 Annual First Interim Shareholders' Meeting	Interim Shareholders' Meeting	62.36%	2019.07.02	2019.07.03	http://www.cninfo.com.cn Resolution Announcement of 2019 Annual First Interim Shareholders' Meeting (Notification no.:2019-Temporary37)

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

Available Not available

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

Attendance of independent directors for the board of directors							
Name	Required attendance time	Personal attendance	Communication attendance	Authorized attendance	Absence	Whether or not to attend the meetings personally for successive twice	Attendance time for the shareholders' meeting
Wang Zhuquan	8	2	6	0	0	No	0
Wang Shigang	4	1	3	0	0	No	0
Luo Fei	8	2	6	0	0	No	0
DuanChangqing	4	0	3	1	0	No	0
Liu Huirong	4	1	3	0	0	No	0
Liu Qinglin	2	1	1	0	0	No	1
Liu Yan	4	1	3	0	0	No	0
GuoGuoqing	6	1	5	0	0	No	0

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

During the report period, there were no independent directors who did not attend the shareholders' meetings in person for two consecutive times.

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

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

Yes No

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

(3) Other explanations on independent directors' performance

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

Yes No

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

During the report period, the independent directors suggested the Company to communicate with all stakeholders as soon as possible to properly handle the trademark and patent registration matters concerned by investors; as well as the charged using fee and using issues of trademark such as "Changyu" etc.. The Company has adopted the suggestions of the independent directors, actively coordinated with various stakeholders, and finally reached a consensus to better solve the above issues.

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

① Auditing Committee: During the report period, the Company's auditing Committee conducted an ex-ante, in-process, and post-event review to related annual report audit work and made relevant arrangements. The auditing Committee believed that 2018 annual financial statements issued by the Company met the requirement of *Accounting Standards for Business Enterprises* and truly and fairly reflected the balance condition up to December 31st, 2018 as well as 2018 annual business performance and cash flow. There were no unsolved major divergences in accounting and auditing or major risk issues affecting the Company's management. The Company operated steadily and had the ability of continuous operations. Proposals including *2018 Annual Self-assessment Report on Internal Control*, *Draft proposal on 2018 Annual Profit Distribution*, *Appointing Certified Public Accountants Firm*, *Change in Accounting Policy*, *2018 Annual Report*, *2019 Semi-annual Report* and *2019 Annual Audit Plan* were deliberated. Auditing committee passed above-mentioned proposals and submitted the related proposals to board of directors for deliberation.

② Emolument Committee: Emolument Committee is responsible for assessment of the economy responsibilities of the directors and the senior executives who receive salaries from the Company and examination of the salary policy and scheme designed for the Company's directors and senior executives. During the report period, the Company held Emolument Committee meeting three times and deliberated and passed the *Executive Compensation and Performance Design*, *Proposal on 2018 Annual Performance Assessment Results of the Company's Senior Executives*, and *Proposal on the Election of the Convener of the Compensation Committee*. The meeting considered that all the contents of the *Proposal on 2018 Annual Performance Assessment Results of the Company's Senior Executives* submitted to the meeting deliberation by the Company are in line with the relevant provisions of the Company, and the *Executive Compensation and Performance Design* conforms with the actual situation of the Company, in which the performance appraisal is more scientific and reasonable that could better restrain and motivate senior managers. The meeting agreed to the above proposals and submitted them to the board of directors for deliberation. Mr. Wang Zhuquan was elected as the convener of the Remuneration Committee in this meeting. During the report period, the Board of Directors' Emolument Committee also examined the 2018 annual payroll records of the directors and the senior managers who receive salaries from the Company and believes that the salaries of the Company's directors, supervisors and senior managers received from the Company is strictly assessed and delivered based on the Company's economic responsibility assessment system. The salaries disclosed by the Company are in conformity with the actually paid amount.

7. The work of the Board of Supervisors

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

Yes No

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

8. Performance Evaluation and Incentive situations of Senior Management

The Company has already established a sound system for evaluation of achievement of senior management and the related incentive system which linked the reward with the Company's benefit and personal achievement. The Emolument Committee under Board of Directors assumed the responsibility of stipulating the policy and appraising the scheme for salaries and rewards. Based on the Company's annual business planning goals, this committee examined senior personals and also their responsible subsidiaries or departments according to their management achievement and index and took these as criterion of awards or penalties.

During the report period, because of not finishing the annual business plan deliberated and passed in the Board of Directors' meeting at the beginning of the year, the total salaries and rewards of the senior management are basically equal to that of last year.

9. Internal Control

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

Yes No

(2) Self-assessment report on internal control

Disclosure date for full text of the internal control self-assessment report	2020.04.24	
Disclosure index for full text of the internal control self-assessment report	2018 Annual Self-Assessment Report on Internal Control and 2019 Annual Self-Assessment Report on Internal Control disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company on April 20 th , 2019 and April 24 th , 2020.	
Percentage of total unit assets included in scope of the assessment accounting for the Company's total assets of consolidated financial statements		89.23%
Percentage of unit operating income included in scope of the assessment accounting for the Company's operating income of consolidated financial statements		91.77%
Standards of Defect Identification		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Significant defects: one defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report. For example: ① Company's Directors, Supervisors and Senior Management have fraudulent practices; ② The Company makes corrections for the published financial report; ③ The audit of external intermediary agent finds significant misstatement existing in the current financial report, but the Company does not realize it during the operation process; ④ Negative information frequently appears in the medias with involving a wide scope; ⑤ The Company's audit committee and internal audit department makes an inefficient supervision for internal control; ⑥ Other situations maybe cause significant misdirection which guides the report users to make the right judgment.</p> <p>Major defects: The defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report, although the misstatements neither achieves nor exceeds the importance level but still arising the attention of Board of Directors and management team. ① Failure to select and apply accounting regulations in accordance with generally accepted accounting principles; ② Failure to establish the anti-fraud procedures and control measures; ③ Failure to set up corresponding control mechanism or to carry out and take corresponding compensating control for the accounting treatments with irregular and special deal; ④ Negative news appears in the media with influencing a wide scope; ⑤ One or more defects exist in the control during the process of the ending financial report, and the target of achieving truthfulness and integrality cannot be reasonably guaranteed in the financial report; ⑥ General defects refer to the other control defects, which do not constitute the significant and major defects.</p>	<p>Significant defects: Any situations listed below appears, it can be regarded as significant defects. ① Operation: Unable to achieve all operation target or key business index, widely out of budget in various aspects. ② Safety accident effects: Cause no less than one person death, or more than 3 person serious injuries. ③ Major negative effects: Negative information frequently appears in the medias with involving a wide scope in the international and national mainstream media. ④ Environment effects: Create irreparable damages to environment, and cause massive public complains.</p> <p>Major defects: Any situations listed below appears, it can be regarded as major defects. ① Operation: Unable to achieve partly operation target, a big margin out of budget in various aspects. ② Safety accident effects: Without reaching the person loss or the number of serious injury of significant defects. ③ Major negative effects: Negative news appears in the media with influencing a wide scope in the provincial mainstream media. ④ Environment effects: Cause heavy environment damages and massive public complains, ought to carry out the significant remedial measures.</p> <p>General defects: Any situations listed below appears, it can be regarded as general defects. ① Operation: Other effects unable to constitute the significant defects or major defects. ② Safety accident effects: Personal injury less than the quantitative standards of major defects. ③ Major negative effects: Other defects unable to constitute the significant defects or major defects. ④ Environment effects: Other environment effects unable to constitute the significant defects or major defects.</p>
Quantitative criterion	For total assets/Owner's equity:	For direct property loss:

	① Significant defects: misstatements $\geq 1\%$ ② Major defects: $0.5\% \leq \text{misstatements} < 1\%$ ③ General defects: misstatements $< 0.5\%$ For operation revenue: ① significant defects: misstatements $\geq 1\%$ ② Major defects: $0.5\% \leq \text{misstatements} < 1\%$ ③ General defects: misstatements $< 0.5\%$ For pretax profit: ① Significant defects: misstatements $\geq 5\%$ ② Major defects: $2\% \leq \text{misstatements} < 5\%$ ③ General defects: misstatements $< 2\%$	① Significant defects: More than CNY10 million ② Major defects: CNY1 million-CNY10 million (including 1 million) ③ General defects: Less than CNY1 million
Number of significant defect in financial report		0
Number of significant defect in non-financial report		0
Number of major defect in financial report		0
Number of major defect in non-financial report		0

10. Internal control audit report

Available Not available

Audit opinions of the internal control audit report	
We believe that Yantai Changyu Pioneer Wine Co., Ltd. kept effective internal control to financial report in all significant aspects in accordance with <i>General Criteria of Company's Internal Control</i> and other related rules on December 31 st , 2019.	
Disclosure of the internal control audit report	Disclosure
Disclosure date for the full text of the internal control audit report	April 24 th , 2020
Disclosure index for the full text of the internal control audit report	2019 Annual Self-Assessment Report on Internal Control disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company.
Opinion type of the internal control audit report	Standard without reserved opinion
Whether or not exists significant defects in non-financial reports	No

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

Yes No

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

Yes No

XI. Related Situation of Corporation Bonds

Whether the Company has the corporation bonds issued publicly and listed on the stock exchange, which has not matured or has matured but failed to fully redeem on the date of approval of the annual report

No

XII. Financial Report

1. Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	April 22 nd , 2020
Audit agency name	KPMG Huazhen Certified Public Accountants Co., Ltd. (special general partnership)
Audit report No.	KPMG Huazhen ShenZi No. 2001809
Certified public accountant's name	Ms. Wang Ting, Ms. Chai Jing

YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2019 TO 31 DECEMBER 2019
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH
TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2001809

All Shareholders of Yantai Changyu Pioneer Wine Company Limited:

Opinion

We have audited the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited ("Yantai Changyu"), which comprise the consolidated balance sheet and company balance sheet as at 31 December 2019, the consolidated income statement and company income statement, the consolidated cash flow statement and company cash flow statement, the consolidated statement of changes in shareholders' equity and company statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position and financial position of Yantai Changyu as at 31 December 2019, and of its consolidated financial performance and company financial performance and its consolidated cash flows and company cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

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

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Sales Revenue from Distributors	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 35.	
Key Audit Matters	How the Matter was Addressed in Our Audit
<p>The principal activities of Yantai Changyu and its subsidiaries (hereinafter referred to as "Yantai Changyu Group") include manufacture and sales of wine, brandy and sparkling wine.</p> <p>The revenue of Yantai Changyu Group is mainly derived from sales of distributors. All distributor transaction terms adopt the unified transaction terms formulated by Yantai Changyu Group.</p> <p>Sales revenue from distributors is recognised when Yantai Changyu Group transfers the major risks and rewards of product ownership to the distributors, and these transfers are completed when the goods are delivered to distributors and signed for acceptance.</p> <p>As revenue is one of the key performance indicators of Yantai Changyu Group, there is an inherent risk that the management will manipulate revenue in order to achieve specific performance objectives or expectations. Therefore, we recognise sales revenue from distributors as a key audit matter.</p>	<p>Our audit procedures to evaluate revenue recognition of sales revenue from distributors included the following:</p> <ul style="list-style-type: none"> • Understand and evaluate the Management's design and operation effectiveness of key internal controls related to distributor sales revenue recognition; • Selecting samples, review sales contracts Yantai Changyu Group signed with distributors in order to examine whether the Group has adopted the unified transaction terms, and evaluate whether the accounting policy of revenue recognition meets the requirements of the Accounting Standards for Business Enterprises; • On a sampling basis, reconcile the revenue to relevant supporting files such as relevant orders and signed delivery notes, etc. to evaluate whether revenue is recognised in accordance with the accounting policy of Yantai Changyu Group;

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Key Audit Matters (continued)

Recognition of Sales Revenue from Distributors (continued)	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 35.	
The Key Audit Matters	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • On a sampling basis, reconcile the sales transaction before and after balance sheet date to relevant supporting files such as relevant orders, signed delivery notes, etc. to evaluate whether revenue is recognised in appropriate accounting period; • Selecting samples, perform confirmation procedures to the balances of current accounts on balance sheet date and the amount of sales transaction for the year; • Check whether significant sales returns exist in sales record after the balance sheet date and check relevant supporting files in order to evaluate whether relevant revenue is recorded in the appropriate accounting period; • Select revenue accounting entries that meet specific risk criteria and check related supporting documents.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Other Information

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2019 annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Auditor's Responsibilities for the Audit of the Financial Statement (continued)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Auditor's Responsibilities for the Audit of the Financial Statement (continued)

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

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

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

KPMG Huazhen LLP

Certified Public Accountants Registered

in the People's Republic of China
(Stamp)

Wang Ting (Engagement Partner)
(Signature and stamp)

Beijing, China

Chai Jing
(Signature and stamp)

Date:22/04/2020

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	2019	2018
Assets			
Current assets			
Cash at bank and on hand	V. 1	1,565,783,980	1,475,700,477
Bills receivable	V. 2	-	288,667,988
Accounts receivable	V. 3	266,218,153	242,153,083
Receivables under financing	V. 4	316,470,229	-
Prepayments	V. 5	67,707,537	4,219,949
Other receivables	V. 6	24,246,812	22,636,086
Inventories	V. 7	2,872,410,407	2,724,591,457
Other current assets	V. 8	267,424,938	258,676,396
Total current assets		5,380,262,056	5,016,645,436
Non-current assets			
Available-for-sale financial assets		-	467,251
Long-term equity investments	V. 9	43,981,130	-
Investment properties	V. 10	29,714,586	31,572,489
Fixed assets	V. 11	5,894,068,898	5,749,731,667
Construction in progress	V. 12	567,478,833	759,296,591
Bearer biological assets	V. 13	202,425,286	209,266,373
Intangible assets	V. 14	651,946,355	655,473,459
Goodwill	V. 15	141,859,193	165,199,111
Long-term deferred expenses	V. 16	277,595,408	244,640,416
Deferred tax assets	V. 17	264,926,503	285,436,259
Other non-current assets	V. 18	193,674,320	-
Total non-current assets		8,267,670,512	8,101,083,616
Total assets		13,647,932,568	13,117,729,052

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	V. 19	754,313,744	688,002,410
Accounts payable	V. 20	570,252,612	713,572,881
Advance payments received	V. 21	120,609,499	226,075,244
Employee benefits payable	V. 22	234,459,116	212,304,217
Taxes payable	V. 23	375,169,971	128,912,790
Other payables	V. 24	450,532,485	608,479,890
Non-current liabilities due within one year	V. 25	150,826,221	152,940,788
Total current liabilities		2,656,163,648	2,730,288,220
Non-current liabilities			
Long-term loans	V. 26	128,892,501	156,480,662
Long-term payables	V. 27	191,000,000	225,000,000
Deferred income	V. 28	70,701,288	86,227,293
Deferred tax liabilities	V. 17	14,691,424	22,010,647
Other non-current liabilities	V. 29	7,645,777	7,234,853
Total non-current liabilities		412,930,990	496,953,455
Total liabilities		3,069,094,638	3,227,241,675

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	V. 30	685,464,000	685,464,000
Capital reserve	V. 31	565,050,422	565,955,441
Other comprehensive income	V. 32	(4,235,583)	2,965,377
Surplus reserve	V. 33	342,732,000	342,732,000
Retained earnings	V. 34	8,719,899,359	8,008,982,547
Total equity attributable to shareholders of the Company		10,308,910,198	9,606,099,365
Non-controlling interests		269,927,732	284,388,012
Total owners' equity		10,578,837,930	9,890,487,377
Total liabilities and shareholders' equity		13,647,932,568	13,117,729,052

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

 Zhou Hongjiang
 Legal
 Representative

 (Signature and
 stamp)

 Jiang Jianxun
 The person in
 charge
 of accounting affairs
 (Signature and
 stamp)

 Guo Cuimei
 The head of the
 accounting
 department
 (Signature and
 stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	2019	2018
Assets			
Current assets			
Cash at bank and on hand		710,505,269	624,588,809
Bills receivable		-	39,885,254
Accounts receivable	XV.1	1,988,326	1,447,973
Receivables under financing	XV.2	41,679,635	-
Prepayments		776,539	227
Other receivables	XV.3	586,424,958	1,025,643,356
Inventories		434,007,808	385,154,740
Other current assets		39,130,466	24,704,844
Total current assets		1,814,513,001	2,101,425,203
Non-current assets			
Long-term equity investments	XV.4	7,432,422,621	7,420,803,069
Investment properties		29,714,586	31,572,489
Fixed assets		261,137,072	265,311,274
Construction in progress		-	6,311,701
Bearer biological assets		121,414,096	125,002,793
Intangible assets		64,864,913	67,244,066
Deferred tax assets		16,255,870	24,194,967
Other non-current assets		1,427,700,000	972,700,000
Total non-current assets		9,353,509,158	8,913,140,359
Total assets		11,168,022,159	11,014,565,562

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		150,000,000	150,000,000
Accounts payable		63,655,240	132,704,304
Employee benefits payable		70,445,847	72,345,179
Taxes payable		6,052,456	13,111,431
Other payables		660,149,563	607,974,519
Total current liabilities		950,303,106	976,135,433
Non-current liabilities			
Deferred income		9,176,315	12,343,972
Other non-current liabilities		3,146,707	2,710,575
Total non-current liabilities		12,323,022	15,054,547
Total liabilities		962,626,128	991,189,980

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		685,464,000	685,464,000
Capital reserve		557,222,454	557,222,454
Surplus reserve		342,732,000	342,732,000
Retained earnings		8,619,977,577	8,437,957,128
Total owners' equity		10,205,396,031	10,023,375,582
Total liabilities and shareholders' equity		11,168,022,159	11,014,565,562

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

Zhou Hongjiang	Jiang Jianxun	Guo Cuimei	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated Income statement
 for the year ended 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	2019	2018
I. Operating income	V. 35	5,031,011,489	5,142,244,740
Less: Operating cost	V. 35	1,887,495,991	1,901,611,507
Taxes and surcharges	V. 36	268,462,378	276,491,674
Selling and distribution expenses	V. 37	1,053,232,024	1,274,599,146
General and administrative expenses	V. 38	311,904,656	343,580,651
Research and development expenses		6,041,116	4,784,118
Financial expenses	V. 39	35,290,702	35,945,302
Including: Interest expenses		41,570,794	46,354,902
Interest income		12,327,441	12,086,007
Add: Other income	V. 40	77,337,581	87,281,434
Investment income	V. 41	5,112,733	-
Including: Losses from investment in joint ventures		(1,120,928)	-
Credit losses	V. 42	(7,304,777)	-
Impairment (losses) / reversal	V. 43	(20,552,916)	912,166
Gains from disposal of assets	V. 44	39,015	11,368,355

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated Income statement
 for the year ended 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
II. Operating profit		1,523,216,258	1,404,794,297
Add: Non-operating income	V. 45	10,921,748	7,353,309
Less: Non-operating expenses	V. 45	3,623,269	3,535,908
III. Total profit		1,530,514,737	1,408,611,698
Less: Income tax expenses	V. 46	400,806,109	367,127,522
IV. Net profit		1,129,708,628	1,041,484,176
(1) Net profit classified by continuity of operations:			
1. Net profit from continuing operations		1,129,708,628	1,041,484,176
2. Net profit from discontinued operations		-	-
(2) Net profit classified by ownership (“-” for net loss):			
1. Net profit attributable to owners of the company		1,129,735,749	1,042,632,929
2. Non-controlling losses		(27,121)	(1,148,753)
V. Other comprehensive income, net of tax		(8,542,792)	(376,524)
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company			
Translation differences arising from translation of foreign currency financial statements		(7,200,960)	(143,863)
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		(1,341,832)	(232,661)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated Income statement
 for the year ended 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
VI. Total comprehensive income for the year		1,121,165,836	1,041,107,652
(1) Attributable to shareholders of the company		1,122,534,789	1,042,489,066
(2) Attributable to non-controlling interests		(1,368,953)	(1,381,414)
VII. Earnings per share:			
(1) Basic earnings per share	V. 47	1.65	1.52
(2) Diluted earnings per share	V. 47	1.65	1.52

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

 Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

 Jiang Jianxun
 The person in charge of accounting affairs
 (Signature and stamp)

 Guo Cuimei
 The head of the accounting department
 (Signature and stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company income statement
 for the year ended 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	2019	2018
I. Operating income	XV.5	740,856,362	876,447,070
Less: Operating cost	XV.5	655,504,063	774,487,031
Taxes and surcharges		25,045,041	38,346,761
General and administrative expenses		86,481,192	90,505,208
Research and development expenses		815,233	887,355
Net financial income		(4,798,485)	(20,292,737)
Including: Interest expenses		497,277	16,075,353
Interest income		5,843,698	41,821,372
Add: Other income		3,953,002	4,237,655
Investment income	XV.6	621,620,723	964,128,659
Credit impairment losses		(601,610)	-
Gains from disposal of assets		22,297	12,411,962
II. Operating profit		602,803,730	973,291,728
Add: Non-operating income		1,840,062	1,483,478
Less: Non-operating expenses		1,118,124	593,694

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Income statement of the company
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
III. Total profit		603,525,668	974,181,512
Less: Income tax expenses		10,226,819	4,592,939
IV. Net profit		593,298,849	969,588,573
(i) Net profit from continuing operations		593,298,849	969,588,573
(ii) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income for the year		593,298,849	969,588,573

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

Zhou Hongjiang
Legal
Representative

(Signature and
stamp)

Jiang Jianxun
The person in
charge
of accounting affairs
(Signature and
stamp)

Guo Cuimei
The head of the
accounting
department
(Signature and
stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated cash flow statement
 for the year ended 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	2019	2018
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		4,647,970,683	4,950,603,207
Refund of taxes and surcharges		40,741,286	57,056,690
Proceeds from other operating activities	V. 48(1)	93,744,521	72,703,872
Sub-total of cash inflows		4,782,456,490	5,080,363,769
Payment for goods and services		1,338,542,601	1,383,945,233
Payment to and for employees		576,928,850	544,742,974
Payment of various taxes		1,115,582,679	1,111,980,499
Payment for other operating activities	V. 48(2)	913,564,336	1,063,716,317
Sub-total of cash outflows		3,944,618,466	4,104,385,023
Net cash flows from operating activities	V. 49(1)	837,838,024	975,978,746
II. Cash flows from investing activities:			
Proceeds from disposal of investments		234,722,614	400,000,000
Investment returns received		1,809,786	3,445,895
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		6,334,375	19,967,431
Sub-total of cash inflows		242,866,775	423,413,326
Payment for acquisition of fixed assets, intangible assets and other long-term assets		281,005,768	347,384,820
Payment for acquisition of investments		169,618,600	478,042,400
Net cash paid for the acquisition of subsidiaries and other business units		404,844	105,834,655
Sub-total of cash outflows		451,029,212	931,261,875
Net cash flows from investing activities		(208,162,437)	(507,848,549)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated cash flow statement
 for the year ended 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
III. Cash flows from financing activities:			
Proceeds from investors		-	2,050,000
Including: Cash received from minority shareholders of subsidiaries		-	2,050,000
Proceeds from borrowings		942,134,032	1,049,815,411
Proceeds from other financing activities	V. 48(3)	-	62,468,259
Sub-total of cash inflows		942,134,032	1,114,333,670
Repayments of borrowings		939,525,426	1,103,189,409
Payment for dividends, profit distributions or interest		462,455,473	397,351,813
Payment for other financing activities	V. 48(4)	11,619,552	46,100,000
Sub-total of cash outflows		1,413,600,451	1,546,641,222
Net cash flows from financing activities		(471,466,419)	(432,307,552)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		703,173	(9,851,585)
V. Net increase in cash and cash equivalents	V. 49(1)	158,912,341	25,971,060
Add: Cash and cash equivalents at the beginning of the year		1,206,860,334	1,180,889,274
VI. Cash and cash equivalents at the end of the year	V. 49(2)	1,365,772,675	1,206,860,334

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

 Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

 Jiang Jianxun
 The person in charge of accounting affairs
 (Signature and stamp)

 Guo Cuimei
 The head of the accounting department
 (Signature and stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company cash flow statement
 for the year ended 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	2019	2018
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		737,920,018	817,341,175
Proceeds from other operating activities		211,049,689	177,786,322
Sub-total of cash inflows		948,969,707	995,127,497
Payment for goods and services		710,601,952	608,241,452
Payment to and for employees		91,738,062	107,256,441
Payment of various taxes		48,817,363	62,066,449
Payment for other operating activities		28,434,079	74,357,324
Sub-total of cash outflows		879,591,456	851,921,666
Net cash flows from operating activities		69,378,251	143,205,831
II. Cash flows from investing activities:			
Proceeds from disposal of investments		131,133,236	370,000,000
Investment returns received		922,250,025	874,520,633
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		1,354,733	11,212,195
Proceeds from borrowings to subsidiaries		8,000,000	-
Sub-total of cash inflows		1,062,737,994	1,255,732,828
Payment for acquisition of fixed assets, intangible assets and other long-term assets		21,417,387	28,842,911
Payment for acquisition of investments		138,566,890	410,000,000
Net cash paid for the acquisition of subsidiaries and other business units		-	107,194,420
Cash paid to subsidiaries		463,000,000	-
Sub-total of cash outflows		622,984,277	546,037,331
Net cash flows from investing activities		439,753,717	709,695,497

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company cash flow statement
 for the year ended 31 December 2019 (continued)
 (Expressed in Renminbi Yuan)

	Note	2019	2018
III. Cash flows from financing activities:			
Proceeds from borrowings		150,000,000	200,000,000
Sub-total of cash inflows		150,000,000	200,000,000
Repayments of borrowings		150,000,000	650,000,000
Payment for dividends or interest		418,400,308	364,085,312
Sub-total of cash outflows		568,400,308	1,014,085,312
Net cash flows from financing activities		(418,400,308)	(814,085,312)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V. Net increase in cash and cash equivalents		90,731,660	38,816,016
Add: Cash and cash equivalents at the beginning of the year		532,384,882	493,568,866
VI. Cash and cash equivalents at the end of the year		623,116,542	532,384,882

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

Jiang Jianxun
 The person in charge of accounting affairs
 (Signature and stamp)

Guo Cuimei
 The head of the accounting department
 (Signature and stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated statement of changes in shareholders' equity
 for the year ended 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company						Non-controlling interests	Total owners' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total		
I. Balance at the beginning of the 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
Add: Changes in accounting policies	III. 32	-	-	-	-	(7,540,537)	(7,540,537)	-	(7,540,537)
Adjusted balance at the beginning of the year		685,464,000	565,955,441	2,965,377	342,732,000	8,001,442,010	9,598,558,828	284,388,012	9,882,946,840
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(7,200,960)	-	1,129,735,749	1,122,534,789	(1,368,953)	1,121,165,836
(2) Contribution by owners									
Acquisitions of non-controlling interests		-	(905,019)	-	-	-	(905,019)	(10,714,533)	(11,619,552)
(3) Appropriation of profits	V. 34								
Distributions to shareholders		-	-	-	-	(411,278,400)	(411,278,400)	(2,376,794)	(413,655,194)
III. Balance at the end of the year		685,464,000	565,050,422	(4,235,583)	342,732,000	8,719,899,359	10,308,910,198	269,927,732	10,578,837,930

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

Zhou Hongjiang
 Legal Representative
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Jiang Jianxun
 The person in charge of
 accounting affairs
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Guo Cuimei
 The head of the accounting
 department
 (Signature and stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated statement of changes in shareholders' equity
 for the year ended 31 December 2018
 (Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company					Sub-total	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings			
I. Balance at the beginning of the 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
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(143,863)	-	1,042,632,929	1,042,489,066	(1,381,414)	1,041,107,652
(2) Shareholders' contributions and decrease of capital									
Acquired as subsidiaries		-	-	-	-	-	-	17,532,823	17,532,823
(3) Appropriation of profits	V. 34								
Distributions to shareholders		-	-	-	-	(342,732,000)	(342,732,000)	(3,399,776)	(346,131,776)
III. Balance at the end of the 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

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company statement of changes in shareholders' equity
 for the year ended 31 December 2019
 (Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I、 Balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
Add: Changes in accounting policies	III. 32	-	-	-	-	-
Adjusted balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
II、 Changes in equity for the year						
1. Total comprehensive income		-	-	-	593,298,849	593,298,849
2. Appropriation of profits						
Distributions to shareholders		-	-	-	(411,278,400)	(411,278,400)
III、 Balance at the end of the year		685,464,000	557,222,454	342,732,000	8,619,977,577	10,205,396,031

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

 Zhou Hongjiang
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 (Signature and stamp)

(Company stamp)

The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company statement of changes in shareholders' equity
 for the year ended 31 December 2018 (continued)
 (Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
IV、 Balance at the beginning of the year		685,464,000	557,222,454	342,732,000	7,811,100,555	9,396,519,009
V、 Changes in equity for the year						
1. Total comprehensive income		-	-	-	969,588,573	969,588,573
2. Appropriation of profits						
Distributions to shareholders		-	-	-	(342,732,000)	(342,732,000)
VI、 Balance at the end of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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The notes on pages 111 to 213 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

I. Company status

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 a reorganisation carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group"), in which Changyu Group Company injected certain assets and liabilities in relation to the brandy, wine, and sparkling wine production and sales businesses to the Company. The Company and its subsidiaries (the "Group") are principally engaged in the production and sales of wine, brandy, sparkling wine, grape growing and acquisition, as well as travel resource development, etc. Registration place of the Company is Yantai, Shandong. Headquarter of the Company is located at No. 56 Da Ma Lu, Zhifu District, Yantai, Shandong, PRC.

As at 31 December 2019 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Note VI. 30 in detail.

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

The financial statements have been authorised by the board of directors on 22 April 2020. According to the Company's articles of association, the financial statements will be reviewed by shareholders on the shareholder's meeting.

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

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

Since 1 January 2019, the Company has adopted new financial instrument standards revised by MOF in 2017, including CAS 22 — Recognition and Measurement of Financial Instruments (See Note III. 32(1)).

The Group has not adopted CAS No.14 — Revenue and CAS No. 22 — Lease revised in 2017 and 2018 respectively.

III. Significant accounting policies and accounting estimates

1 *Statement of compliance*

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2019, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

2 *Accounting period*

The accounting period is from 1 January to 31 December.

3 *Operating cycle*

The Company takes the period from the acquisition of assets for processing to until the ultimate realisation of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is 12 months.

4 *Functional currency*

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

5 *Accounting treatments for business combinations involving entities under common control and not under common control*

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.18). If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note III.11(2)(b)). If equity interests of the acquiree held before acquisition-date were equity instrument investments measured at fair value through other comprehensive income, other comprehensive income recognised shall be moved to retained earnings on acquisition-date.

6 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

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

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity investment is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8 *Foreign currency transactions and translation of foreign currency financial statements*

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets (see Note III. 15)). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses in the income statement are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

9 *Financial instruments*

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.11), receivables, payables, loans and borrowings and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Accounts receivable containing no significant financing component are measured initially at transaction prices determined by the accounting policies set out in Note III.22.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost by the Group.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- financial investments at fair value through other comprehensive income

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

For accounts receivable, loss allowance always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

For assets other than accounts receivable that meet one of the following conditions, loss allowance are measured at an amount equal to 12-month ECLs. For all other financial instruments, the Group recognises a loss allowance equal to lifetime ECLs:

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

10 Inventories

(1) Classification and cost

Inventories include raw materials, work in progress and reusable materials. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Agricultural products harvested are reported in accordance with the CAS No.1 - Inventories.

(2) Measurement method of cost of inventories

Cost of inventories is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are amortised when they are used. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for impairment, and is recognised in profit or loss.

(4) Inventory count system

The Group maintains a perpetual inventory system.

11 *Long-term equity investments*

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method unless the investment is classified as held for sale (See Note III. 27). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.20.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investments in joint ventures

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.11(3)) and rights to the net assets of the arrangement.

A long-term equity investment in a joint venture is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.27).

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.20.

(3) Criteria for determining the existence of joint control over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

12 *Investment properties*

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights, unless the investment property is classified as held for sale (see Note III.27). For the impairment of the investment properties, refer to Note III.20.

Category	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	20-40 years	0 - 5%	2.4%-5.0%

13 *Fixed assets*

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.14.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale (see Note III.27).

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	20-40 years	0 - 5%	2.4%-5.0%
Machinery equipment	5-30 years	0 - 5%	3.2%-20.0%
Motor vehicles	4-12 years	0 - 5%	7.9%-25.0%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.20.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

14 *Construction in progress*

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20).

15 *Borrowing costs*

Borrowing costs incurred directly attributable to the acquisition, and construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition and construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs should cease when the qualifying asset being constructed or produced has reached its expected usable or saleable condition. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally for a period of more than three months.

16. Biological assets

The Group's biological assets are bearer biological assets.

Bearer biological assets are those that are held for the purposes of producing agricultural produce, rendering of services or rental. Bearer biological assets in the Group are vines. Bearer biological assets are initially measured at cost. The cost of self-grown or self-bred bearer biological assets represents the necessary directly attributable expenditure incurred before satisfying the expected production and operating purpose, including capitalised borrowing costs.

Bearer biological assets, after reaching the expected production and operating purpose, are depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated net residual value rates and depreciation rates of bearer biological assets are as follows:

Category	Estimated useful life (years)	Estimated net residual value rate	Depreciation rate (%)
Vines	20 years	0%	5.0%

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

Useful lives, estimated residual values and depreciation methods of bearer biological assets are reviewed at least at each year-end. Any changes should be treated as changes in accounting estimates.

For a bearer biological asset that has been sold, damaged, dead or destroyed, any difference between the disposal proceeds and the carrying amount of the asset (after tax deduction) should be recognised in profit or loss for the period in which it arises.

17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note III.20). For an intangible asset with finite useful life, its cost estimated less residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.27).

The respective amortisation periods for intangible assets are as follows:

Item	Amortisation period (years)
Land use rights	40-50 years
Software licenses	5-10 years
Trademarks	10

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group had intangible assets with infinite useful lives including the land use rights and trademarks. Land use rights with infinite useful lives are permanent land use rights with permanent ownership held by the Group under the relevant Chile and Australian laws arising from the Group's acquisition of Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SPA. (collectively referred to as the "Chile Indomita Wine Group"), and the acquisition of Kilikanoon Estate Pty Ltd. (hereinafter referred to as the "Australia Kilikanoon Estate"), therefore there was no amortisation. The right to use trademark refers to the trademark held by the Group arising from the acquisition of the Chile Indomita Wine Group and the Australia Kilikanoon Estate with infinite useful lives. The valuation of trademark was based on the trends in the market and competitive environment, product cycle, and managing long-term development strategy. Those basis indicated the trademark will provide net cash flows to the Group within an uncertain period. The useful life is indefinite as it was hard to predict the period that the trademark would bring economic benefits to the Group.

18 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

19 *Long-term deferred expenses*

Long-term deferred expenses are amortised using a straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Item	Amortisation period
Land requisition fee	50 years
Land lease prepayment	50 years
Greening fee	5-20 years
Leasehold improvement	3-5 years
Others	3 years

20 *Impairment of assets other than inventories and financial assets*

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- Bearer biological assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with infinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.21) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

21 *Fair value measurement*

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

22 *Revenue recognition*

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met:

(1) Sale of goods

Revenue is recognised when the general conditions stated above and the following conditions are satisfied:

- Significant risks and rewards of ownership of goods have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

Sales of the Group are mainly conducted by distributors. The sales are generally completed when the goods are delivered to distributors and are signed for acceptance.

(2) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue is recognised by reference to the stage of completion based on the proportion of services performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(3) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

23 *Employee benefits*

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

24 *Government grants*

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Company for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

25 *Income tax*

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

26 *Operating leases and finance leases*

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) *Operating lease charges*

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note III.12), are depreciated in accordance with the Group's depreciation policies described in Note III.13(2). Impairment losses are recognised in accordance with the accounting policy described in Note III.20. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

27 *Assets held for sale*

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;
- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.21) less costs to sell (except financial assets (see Note III.9), deferred tax assets (see Note III.25) and investment properties subsequent measured at fair value (see Note III. 12) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.21) less costs to sell is recognised as an impairment loss in profit or loss.

28 *Profit distributions*

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

29 *Related parties*

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

30 *Segment reporting*

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into four parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2019, over 89% of revenue, more than 98% of profit and over 92% of non-current assets derived from China / are located in China. Therefore the Group does not need to disclose additional segment report information.

31 *Significant accounting estimates and judgements*

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, bearer biological assets and intangible assets (see Notes III. 12, 13, 16 and 17) and provision for impairment of various types of assets (see Notes V.3, 6, 7, 11, 12, 13, 14, 15 and Note XV.1 and 3). Other significant accounting estimates are as follows:

- (i) Note V. 17 – Recognition of deferred tax asset;
- (ii) Note IX. – Fair value measurements of financial instruments.

32 *Changes in significant accounting policies and accounting estimates*

(1) Description and reasons of changes in accounting policies

In 2019, the Group has adopted the following revised accounting standards issued by the MOF recently:

- Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (revised), Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Instruments (revised), Accounting Standard for Business Enterprises No. 22 — Hedging Accounting (revised) and Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments (revised) (hereinafter referred to as “new financial instrument standard”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)
- Notice on Revision of Illustrative Consolidated Financial Statements (2019 version) (Cai Kuai [2019] No. 16).

- CAS No.7 – Exchange of Non-monetary Assets (Revised) (“CAS 7 (2019)”)
- CAS No.12 – Debt Restructuring (Revised) (“CAS 12 (2019)”)

(a) Presentation of financial statements

The Group has prepared financial statements for the year ended 31 December 2019 in accordance with the financial statement format specified in Caikuai [2019] No.6 and Caikuai [2019] No.16. The Group has applied the new presentation requirements retrospectively.

Affected assets and liabilities items in the consolidated and company balance sheets as at 31 December 2018:

	The Group		
	Before adjustments	Adjustments	After adjustments
Bills and accounts receivable	530,821,071	(530,821,071)	-
Bills receivable	-	288,667,988	288,667,988
Accounts receivable	-	242,153,083	242,153,083
Bills and accounts payable	713,572,881	(713,572,881)	-
Accounts payable	-	713,572,881	713,572,881
Deferred income due within one year	15,860,254	(15,860,254)	-
Deferred income	70,367,039	15,860,254	86,227,293
Total	1,330,621,245	-	1,330,621,245

	The Company		
	Before adjustments	Adjustments	After adjustments
Bills 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
Bills and accounts payable	132,704,304	(132,704,304)	-
Accounts payable	-	132,704,304	132,704,304
Deferred income due within one year	3,433,054	(3,433,054)	-
Deferred income	8,910,918	3,433,054	12,343,972
Total	186,381,503	-	186,381,503

(b) New financial instrument standards

The new financial instrument standards revise the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments , Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Instruments, Accounting Standard for Business Enterprises No. 24 — Hedging and Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments issued by the MOF in 2006 (hereinafter referred to as “previous financial instrument standards”).

The new financial instrument standards classify financial assets into three basic categories: (1) financial assets measured at amortised cost; (2) financial assets measured at FVOCI;(3) financial assets at FVTPL. The classification of financial assets under new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. New financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under previous financial instruments standards. Under new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

New financial instruments standards replace the “incurred loss” model in previous financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in previous financial instruments standards.

Retrospective adjustments were made to classification and measurement (including impairment) of financial instruments not derecognised on the date of effectiveness of the standards (i.e. 1 January 2019) according to transition requirements of the new financial instrument standards. The Group has not yet adjusted the financial statement and recognises the difference between the previous carrying amount of financial instruments and the new carrying amount on the date of effectiveness of the standards as retained earnings or other comprehensive income at the beginning 2019.

- (i) The impact of adoption new financial instrument standards on the consolidated and company balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16 are summarised as follows:

	The Group		
	31 December 2018	1 January 2019	Adjustments
Assets			
Current assets			
Bills receivable	288,667,988	-	(288,667,988)
Accounts receivable	242,153,083	232,099,034	(10,054,049)
Receivables under 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 tax assets	285,436,259	287,949,771	2,513,512

	The Company		
	31 December 2018	1 January 2019	Adjustments
Assets			
Bills receivable	39,885,254	-	(39,885,254)
Receivables under financing	-	39,885,254	39,885,254

- (ii) Impact of classification of financial instruments

- The Group endorses some bank acceptance bills according to its daily capital management needs. Bank acceptance bills of the Group are managed within a business model whose objective is to collect contractual cash flows and sell the financial asset. As at 1 January 2019, the Group reclassified bank acceptance bills of its subsidiaries of RMB288,667,988 to financial assets at fair value through other comprehensive income and presented as receivables under financing.
- As at 31 December 2018, the carrying amount of unlisted equity investment measured at cost held by the Group was RMB467,251. As at 1 January 2019, the Group designated the equity investment as financial assets at fair value through profit or loss and presented as other non-current financial assets.

Based on balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikui [2019] No.6 and Caikui [2019] No.16, results of the classification and measurement of financial assets in accordance with the previous financial instrument standards and the new financial instrument standards are summarised as follows:

The Group

Previous financial instrument standards (31 December 2018)			New financial instrument standards (1 January 2019)		
Item	Type of measurement	Carrying amount	Item	Type of measurement	Carrying amount
Cash at bank and on hand	Amortised cost (loans and receivables)	1,475,700,477	Cash at bank and on hand	Amortised cost	1,475,700,477
Bills receivable	Amortised cost (loans and receivables)	288,667,988	Receivables under financing	Measured at fair value through other comprehensive income	288,667,988
Accounts receivable	Amortised cost (loans and receivables)	242,153,083	Accounts receivable	Amortised cost	232,099,034
Other receivables	Amortised cost (loans and receivables)	22,636,086	Other receivables	Amortised cost	22,636,086
Available-for-sale financial assets	Measured at cost (equity instrument)	467,251	Other non-current financial assets	Measured at fair value through profit or loss (standard requirements)	467,251
Other current assets	Amortised cost (loans and receivables)	258,676,396	Other current assets	Amortised cost	258,676,396

The Company

Previous financial instrument standards (31 December 2018)			New financial instrument standards (1 January 2019)		
Item	Type of measurement	Carrying amount	Item	Type of measurement	Carrying amount
Cash at bank and on hand	Amortised cost (loans and receivables)	624,588,809	Cash at bank and on hand	Amortised cost	624,588,809
Bills receivable	Amortised cost (loans and receivables)	39,885,254	Receivables under financing	Measured at fair value through other comprehensive income	39,885,254
Accounts receivable	Amortised cost (loans and receivables)	1,447,973	Accounts receivable	Amortised cost	1,447,973
Other receivables	Amortised cost (loans and receivables)	1,025,643,356	Other receivables	Amortised cost	1,025,643,356
Other current assets	Amortised cost (loans and receivables)	24,704,844	Other current assets	Amortised cost	24,704,844

Based on balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16, adjustment of the carrying amount of the Previous financial assets to the carrying amount of the new financial assets classified and measured in accordance with the new financial instruments standards is as follows:

The Group

	Carrying amount under original financial instruments standards (31 December 2018)	Reclassification	Remeasurement	Carrying amount under new financial instruments standards (31 December 2019)
Amortised cost				
Receivables				
Balance under previous financial instruments standards	242,153,083	-	-	-
Re-measurement: ECL allowance	-	-	(10,054,049)	-
Balance under new financial instruments standards	-	-	-	232,099,034
Bills receivable				
Balance under previous financial instruments standards	288,667,988	-	-	-
Less: transferred to FVOCI (new financial instrument standards)	-	(288,667,988)	-	-
Balance under new financial instruments standards	-	-	-	-
Available-for-sale financial assets				
Balance under previous financial instruments standards	467,251	-	-	-
Less: transferred to FVTPL (new financial instrument standards)	-	(467,251)	-	-
Balance under new financial instruments standards	-	-	-	-
FVOCI				
Receivables under financing				
Balance under previous financial instruments standards	-	-	-	-
Add: Transferred from bills receivable (under previous financial instrument standards)	-	288,667,988	-	-
Balance under new financial instruments standards	-	-	-	288,667,988
FVTPL				
Financial assets held for trading (including other non-current financial assets)				
Balance under previous financial instruments standards	-	-	-	-
Add: transferred from available-for-sale financial assets (under previous financial instrument standards)	-	467,251	-	-
Balance under new financial instruments standards	-	-	-	467,251

The Company

	Balance under previous financial instruments standards (31 December 2018)	Reclassification	Remeasurement	Carrying amount under new financial instruments standards (31 December 2019)
Amortised cost				
Bills receivable				
Balance under previous financial instruments standards	39,885,254	-	-	-
Less: transferred to FVOCI (new financial instrument standards)	-	(39,885,254)	-	-
Balance under new financial instruments standards	-	-	-	-
FVOCI				
Receivables under financing				
Balance under previous financial instruments standards	-	-	-	-
Add: Transferred from bills receivable (under previous financial instrument standards)	-	39,885,254	-	-
按新金融工具准则列示的余额	-	-	-	39,885,254

(iii) Impacts of adoption of ECL measurement

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost;
- financial investments at fair value through other comprehensive income.

The new ECL model do not apply to investments in equity instruments.

Based on balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16, adjustment of the closing amount of the previous financial instrument provision for impairments to the new provision for impairments classified and measured in accordance with the new financial instrument standards is as follows:

The Group

Type of measurement	Provision for losses under previous financial instrument standards / Estimated liabilities recognised in accordance with contingency standard (31 December 2018)	Reclassification	Remeasurement	Loss allowance under new financial instruments standards (1 January 2019)
Loans and receivables (previous financial instrument standards) / financial assets measured at amortised cost (new financial instrument standards)				
Accounts receivable	-	-	10,054,049	10,054,049
Total	-	-	10,054,049	10,054,049

(c) CAS 7 (2019)

The CAS 7 (2019) specifies the applicability of standard for exchange of non-monetary assets and clarifies the accounting treatment for the situation in which the recognising timing of assets received is inconsistent with the derecognising timing of assets given up. The standard also revises the measurement principle for several assets to be received or given up at the same time during exchange of non-monetary assets at fair value. Additionally, the standard includes disclosure requirements on whether the exchange of non-monetary assets has commercial substance and the reasons behind this determination.

The effective date of CAS 7 (2019) is 10 June 2019. Exchanges of non-monetary assets that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 7 (2019). Retrospective adjustment is not required for exchanges of non-monetary assets prior to 1 January 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

(d) CAS 12 (2019)

CAS 12 (2019) modifies the definition of debt restructuring to specify the scope of this standard, as well as the application of relevant financial instruments standards with respect to the recognition, measurement and presentation of financial instruments involved in debt restructuring. For debt restructuring in which a debt is settled by the transfer of assets, CAS 12 (2019) modifies the principle of measurement for initial recognition of non-financial assets received by the creditor, and gains or losses of the debtor from debt restructuring are recognised without distinguishing whether they are gains or losses from asset transfer or debt restructuring. For debt restructuring in which a debt is settled by the issuance of equity instruments to the creditor, CAS 12 (2019) revises the principle of measurement for initial recognition of its share of equity by the creditor, and provides more guidance on the principle of measurement for initial recognition of equity instruments by the debtor.

The effective date of CAS 12 (2019) is 17 June 2019. Debt restructuring that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 12 (2019). Retrospective adjustment is not required for debt restructuring prior to 1 January 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

IV. Taxation

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	13%, 9%, 6% (China, after 1 April 2019), 16%, 10%, 6% (China, 1 May 2018 to 31 March 2019), 17%, 13%, 6% (China, before 1 May 2018), 20% (France), 21% (Spain), 19% (Chile) and 10% (Australia)
Consumption tax	Based on taxable revenue	10% of the price, 20% of the price and RMB1,000 each ton (China)
Urban maintenance and construction tax	Based on VAT paid	7% (China)
Corporate income tax	Based on taxable profits	25% (China), 28% (France), 28% (Spain), 27% (Chile), 30% (Australia)

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2019 and 2018 are all stated as above.

2 Tax preferential treatments

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 the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, 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 the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Grape Growing enjoys an exemption of corporate income tax.

Beijing Changyu AFIP Agriculture Development Co., Ltd ("Agriculture Development"), a subsidiary of the Group, whose principal activity is grape growing is incorporated in Miyun, Beijing. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Agriculture Development enjoys an exemption of corporate income tax.

Xinjiang Tianzhu Wine 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 Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi"), 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.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	2019	2018
Cash on hand	59,975	114,335
Bank deposits	1,474,489,177	1,382,399,749
Other monetary funds	91,234,828	93,186,393
Total	1,565,783,980	1,475,700,477
Including: Total overseas deposits	42,752,630	22,664,704

As at 31 December 2019, the balance of restricted cash of the Group is as follows:

Item	2019	2018
House maintenance funds	2,647,877	2,611,350

As at 31 December 2019, the Group's other monetary assets is as follows:

Item	2019	2018
Yantai Changyu Pioneer Wine Company Limited Research and Development Co., Ltd. ("R&D Centre") pledged deposit for long-term payables	46,100,000	46,100,000
Deposits for letters of credit	44,540,850	44,540,850
Alipay account balance	583,978	2,483,816
Deposit for Company cards	-	51,727
Deposit for ICBC platform	10,000	10,000
Total	91,234,828	93,186,393

As at 31 December 2019, the Group's term deposits with previous maturity of more than three months is RMB106,128,600 with interest rate 1.10%-2.75% (31 December 2018: RMB173,042,400).

2 *Bills receivable*

Classification of bills receivable

Item	31 December 2019	31 December 2018
Bank acceptance bills	-	288,667,988
Total	-	288,667,988

3 *Accounts receivable*

(1) Accounts receivable by customer type are as follows:

Type	31 December 2019	1 January 2019	31 December 2018
Amounts due from related parties	5,902,871	4,696,685	4,696,685
Amounts due from other customers	277,619,657	237,456,398	237,456,398
Sub-total	283,522,528	242,153,083	242,153,083
Less: Provision for bad and doubtful debts	(17,304,375)	(10,054,049)	-
Total	266,218,153	232,099,034	242,153,083

As at 31 December 2019, ownership restricted accounts receivable is RMB54,663,422 (31 December 2018: RMB52,015,032), referring to Note V. 50.

(2) The ageing analysis of accounts receivable is as follows:

Ageing	2019	2018
Within 1 year (inclusive)	275,693,658	240,312,773
Over 1 year but within 2 years (inclusive)	7,354,262	1,566,622
Over 2 years but within 3 years (inclusive)	308,950	273,688
Over 3 years	165,658	-
Sub-total	283,522,528	242,153,083
Less: Provision for bad and doubtful debts	(17,304,375)	-
Total	266,218,153	242,153,083

The ageing is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by provisioning method

(a) Assessment of ECLs on accounts receivable in 2019:

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the loss given default. According to the historical experience of the Group, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

	Loss given default	Carrying amount at the end of the year	Impairment loss at the end of the year
Current	0.5%	212,429,920	1,039,698
Overdue for 1 to 30 days	3.4%	30,728,775	1,047,549
Overdue for 31 to 60 days	7.1%	11,523,509	814,636
Overdue for 61 to 90 days	12.1%	5,764,703	700,190
Overdue for 91 to 120 days	17.4%	1,590,671	276,279
Overdue for 121 to 150 days	22.4%	2,311,625	517,066
Overdue for 151 to 180 days	28.5%	661,492	188,571
Overdue for 181 to 210 days	33.3%	2,583,362	861,027
Overdue for 211 to 240 days	39.4%	6,296,727	2,478,756
Overdue for 241 to 270 days	72.9%	588,355	428,627
Overdue for 271 to 300 days	87.8%	583,701	512,581
Overdue for 331 to 330 days	97.3%	753,239	732,946
Overdue for 330 to 360 days	100.0%	1,491,202	1,491,202
Overdue for 360 days	100.0%	6,215,247	6,215,247
Total	6.1%	283,522,528	17,304,375

The loss given default is measured based on the actual credit loss experience in the past 12 months, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(b) Impairment of account receivables in 2018

Under previous financial instruments standards, provision for impairments is made when there is objective evidence of impairment.

(4) Movements of provisions for bad and doubtful debts:

	2019	2018
Balance under the previous financial instruments standards	-	-
Adjustment on initial application of the new financial instruments standards	(10,054,049)	-
Balance at the beginning of the year after adjustment	(10,054,049)	-
Charge for the year	(7,304,777)	-
Written-off during the year	54,451	-
Balance at the end of the year	(17,304,375)	-

(5) Five largest accounts receivable by debtor at the end of the year:

Name	Relationship with the Group	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
THE CO-OP FOOD GROUP	Third party	14,953,492	Within 1 year	5.6%	817,989
Lianhua Supermarket Holdings Co., Ltd.	Third party	13,988,131	Within 1 year	5.3%	636,038
NGS Supermarket (Group) Co., Ltd.	Third party	9,278,350	Within 1 year	3.3%	1,916,366
Jiajiayue Group Co., Ltd.	Third party	8,437,439	Within 1 year	3.0%	45,468
MARKS AND SPENCER	Third party	7,427,424	Within 1 year	2.6%	406,296
Total		54,084,836		19.2%	3,822,157

4 Receivables under financing

Item	Note	2019	2018
Bills receivable	(1)	316,470,229	-

(1) The pledged bills receivable of the Group at the end of the year

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

(2) Outstanding endorsed bills that have not matured at the end of the year

Item	Amount derecognised at year end
Bank acceptance bills	265,759,455
Total	265,759,455

As at 31 December 2019, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB265,759,455 (31 December 2018: RMB182,829,674). The notes are used for payment to suppliers and constructions. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

5 Prepayments

(1) Prepayments by category:

Item	2019	2018
Prepayments	66,807,537	4,219,949
Other prepayments	900,000	-
Total	67,707,537	4,219,949

(2) The ageing analysis of prepayments is as follows:

Ageing	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	67,441,713	100%	4,219,949	100%
Over 1 year but within 2 years (inclusive)	265,824	-	-	-
Total	67,707,537	100%	4,219,949	100%

The ageing is counted starting from the date when prepayments are recognised.

(3) Five largest prepayments by debtor at the end of the year:

Name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Beijing Aod Investment Group Co., Ltd.	Prepayments	49,396,000	Within 1 year	73.0%	-
Xinjiang Yuyuan Wine Co., Ltd.	Prepayments	11,749,019	Within 1 year	17.3%	-
State Grid Shandong Electronic Power Yantai Company	Prepaid electricity fees	1,229,571	Within 1 year	1.8%	-
Yantai Mingyuan Refrigeration and Air-conditioning Equipment Co., Ltd.	Prepayments for the equipment	600,000	Within 1 year	0.9%	-
Yantai Huibao Artware Manufacturing Co., Ltd.	Prepayments for the equipment	533,855	Within 1 year	0.8%	-
Total		63,508,445		93.8%	-

6 Other receivables

	Note	31 December 2019	31 December 2018
Interest receivable	(1)	148,927	1,332,681
Others	(2)	24,097,885	21,303,405
Total		24,246,812	22,636,086

(1) Interest receivable

(a) Interest receivable by category:

Item	31 December 2019	31 December 2018
Interest receivable on bank deposits	148,927	1,332,681

(b) Significant overdue interest:

As at 31 December 2019, there was no overdue interest receivable (31 December 2018: Nil).

(2) Others

(a) Others by customer type:

Customer type	31 December 2019	31 December 2018
Amounts due from related parties	813,440	813,440
Amounts due from other companies	23,284,445	20,489,965
Sub-total	24,097,885	21,303,405
Less: Provision for bad and doubtful debts	-	-
Total	24,097,885	21,303,405

(b) The ageing analysis is as follows:

Ageing	2019	2018
Within 1 year (inclusive)	16,052,916	11,293,908
Over 1 year but within 2 years (inclusive)	940,668	6,693,702
Over 2 years but within 3 years (inclusive)	6,547,178	1,922,998
Over 3 years	557,123	1,392,797
Sub-total	24,097,885	21,303,405
Less: Provision for bad and doubtful debts	-	-
Total	24,097,885	21,303,405

The ageing is counted starting from the date when other receivables are recognised.

(c) Movements of provisions for bad and doubtful debts

As at 31 December 2019, no bad and doubtful debt provision was made for other receivables (31 December 2018: Nil).

As at 31 December 2019, the Group has no other receivables written off (31 December 2018: Nil).

(d) Others categorised by nature

Nature of other receivables	Note	2019	2018
Deposit		9,812,027	10,453,624
Refund of consumption tax and VAT		8,937,164	6,273,882
Petty cash receivable		1,741,147	2,274,038
Others		3,607,547	2,301,861
Sub-total		24,097,885	21,303,405
Less: Provision for bad and doubtful debts		-	-
Total		24,097,885	21,303,405

(a) Five largest others-by debtor at the end of the year

Name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Sercicio de Impuestos Internos	Refund of VAT	7,710,362	Within 1 year	32.0%	-
Finance Bureau of Yantai Economic and Technological Development Area	Deposits	5,262,324	Over 2 years	21.8%	-
Yantai Economic and Technological Development Zone Construction Industry Federation	Construction deposit	1,143,500	Over 2 years	4.7%	-
Yantai Shenma Packaging Co., Ltd.	Lease receivables	813,440	Within 1 year	3.4%	-
Yantai Municipal Tax Service, State Taxation Administration	Refund of VAT	736,946	Within 1 year	3.1%	-
Total		15,666,572		65.0%	-

7 Inventories

(1) Inventories by category:

Item	2019			2018		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	71,681,418	-	71,681,418	67,267,035	-	67,267,035
Work in progress	2,102,781,536	-	2,102,781,536	1,787,819,923	-	1,787,819,923
Finished goods	718,127,090	(20,179,637)	697,947,453	894,187,725	(24,683,226)	869,504,499
Total	2,892,590,044	(20,179,637)	2,872,410,407	2,749,274,683	(24,683,226)	2,724,591,457

(2) Provision for impairment of inventories:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
		Recognised	Reversal	
Finished goods	24,683,226	20,179,637	(24,683,226)	20,179,637

8 Other current assets

Item	2019	2018
Prepaid income taxes	16,854,091	24,077,323
Input tax to be credited	248,975,183	233,087,707
Prepaid rent	1,595,664	1,511,366
Total	267,424,938	258,676,396

9 Long-term equity investments

(1) Long-term equity investments by category:

Item	2019	2018
Investments in joint ventures	43,981,130	-
Less: Provision for impairment	-	-
Total	43,981,130	-

(2) Movements of long-term equity investments during the year are as follows:

Investee	2018 Balance at the beginning of the year	Movements during the year		2019 Closing balance	Shareholding percentage
		Increase in capital	Losses from investments under equity-method		
Joint ventures					
SAS L&M Holdings (“L&M Holdings”)	-	45,102,058	(1,120,928)	43,981,130	55%
Total	-	45,102,058	(1,120,928)	43,981,130	

On 22 February 2019, Francs Champs Participations SAS (“Francs Champs”), a subsidiary of the Group, signed the Cooperation Agreement with SC Garri du Gai to establish L&M Holdings, a joint venture. Francs Champs contributed 100% of the equity of its subsidiary, Societe Civile Agricole Du Chateau De Mirefleurs (“Mirefleurs”), with a fair value of RMB45,102,058, accounting for 55% of the shares of L&M Holdings. As per the Agreement and the Articles of Association, L&M Holdings is jointly controlled by shareholders of both parties.

10 *Investment properties*

	Buildings and plants
Cost	
Balance as at 31 December 2018 and 31 December 2019	70,954,045
Accumulated depreciation	
31 December 2018	(39,381,556)
Charge for the year	(1,857,903)
31 December 2019	(41,239,459)
Carrying amount	
Carrying amount at 31 December 2019	29,714,586
Carrying amount at 31 December 2018	31,572,489

11 *Fixed assets*

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Motor vehicles	Total
Cost				
31 December 2018	4,761,426,425	2,665,798,814	26,580,639	7,453,805,878
Additions during the year				
- Purchases	14,592,625	114,964,123	2,963,537	132,520,285
- Transfers from construction in progress	335,319,537	8,856,929	-	344,176,466
Disposals or written-offs during the year	(6,035,224)	(59,313,825)	(2,874,020)	(68,223,069)
Disposal of subsidiaries	(11,674,567)	-	-	(11,674,567)
31 December 2019	5,093,628,796	2,730,306,041	26,670,156	7,850,604,993
Accumulated depreciation				
31 December 2018	(621,266,769)	(1,062,064,237)	(20,743,205)	(1,704,074,211)
Charge for the year	(143,711,571)	(156,813,823)	(2,260,577)	(302,785,971)
Disposals or written-offs during the year	5,930,965	55,080,117	2,859,001	63,870,083
Disposal of subsidiaries	3,932,031	-	-	3,932,031
31 December 2019	(755,115,344)	(1,163,797,943)	(20,144,781)	(1,939,058,068)
Provision for impairment				
31 December 2018	-	-	-	-
Charge for the year	-	(17,478,027)	-	(17,478,027)
31 December 2019	-	(17,478,027)	-	(17,478,027)
Carrying amount				
31 December 2019	4,338,513,452	1,549,030,071	6,525,375	5,894,068,898
31 December 2018	4,140,159,656	1,603,734,577	5,837,434	5,749,731,667

As at 31 December 2019, ownership restricted net value of fixed assets is RMB344,670,852 (31 December 2018: RMB412,006,421), referring to Note V. 50.

(2) Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings	47,821,026	(14,796,008)	-	33,025,018
Machinery equipment	73,592,531	(52,434,878)	(17,478,027)	3,679,626
Other equipment	3,344,518	(3,173,906)	-	170,612
Total	124,758,075	(70,404,792)	(17,478,027)	36,875,256

(3) Fixed assets leased out under operating leases

Item	Carrying amount at the end of the year
	<i>RMB</i>
Machinery equipment	102,608
Total	102,608

(4) Fixed assets pending certificates of ownership

Item	Carrying amount	Reason why the certificates are pending
Industry Production Centre of R&D Centre Dormitories, main building and reception building of Changan Chateau	1,761,265,190	Processing
European town, main building and service building of Chateau Beijing	287,560,490	Processing
Main building of Chateau Tinlot of Yantai Changyu	181,809,121	Processing
Fermentation shop and warehouse of Xinjiang Tianzhu	79,992,032	Processing
Office and packaging shop of Golden Icewine Valley	17,124,481	Processing
Fermentation shop of Zhangyu (Jingyang)	8,890,557	Processing
Office, experiment building and workshop of Fermentation Centre	3,862,118	Processing
Finished goods warehouse and workshop of Kylin Packaging	3,484,107	Processing
Office of Sales Company	2,306,172	Processing
	981,632	Processing

The buildings without property certificate above have no significant impact on the Group's management.

12 Construction in progress

(1) Construction in progress

Project	2019			2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
R&D Centre ("Changyu Wine Complex") Project	485,017,326	-	485,017,326	608,553,618	-	608,553,618
Ningxia Chateau Construction Project	46,448,561	-	46,448,561	47,163,862	-	47,163,862
Sales Company Construction Project	6,313,962	-	6,313,962	17,985,881	-	17,985,881
Changan Chateau Construction Project	4,052,839	-	4,052,839	39,793,898	-	39,793,898
Shihezi Chateau Construction Project	877,348	-	877,348	23,664,126	-	23,664,126
Other Companies' Construction Project	24,768,797	-	24,768,797	22,135,206	-	22,135,206
Total	567,478,833	-	567,478,833	759,296,591	-	759,296,591

(2) Movements of major construction projects in progress during the year

Item	Budget	Opening balance	Additions during the year	Transfers to fixed assets	Transfers to long-term deferred expenses	Closing balance	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Attributable to: Interest capitalised for the year	Interest rate for capitalisation in 2019 (%)	Sources of funding
Changyu Wine Complex	4,505,780,000	608,553,618	150,740,457	(268,583,246)	(5,693,503)	485,017,326	77.6%	15,413,102	1,141,265	1.2% and 4.3%	Loans from financial institutions and self-raised
Ningxia Chateau Construction Project	414,150,000	47,163,862	306,115	(1,021,416)	-	46,448,561	102.2%	-	-	-	Self-raised
Changan Chateau Construction Project	620,740,000	39,793,898	10,349,914	(44,440,973)	(1,650,000)	4,052,839	110.4%	-	-	-	Self-raised
Shihezi Chateau Construction Project	780,000,000	23,664,126	905,888	(276,666)	(23,416,000)	877,348	96.4%	-	-	-	Self-raised
Sales Company Construction Project	161,350,000	17,985,881	4,236,485	(15,908,404)	-	6,313,962	100.3%	-	-	-	Self-raised

13. *Bearer biological assets*

Bearer biological assets are vines, which measured in cost method.

Item	Immature biological assets	Mature biological assets	Total
Original book value			
31 December 2018	13,837,608	235,246,042	249,083,650
Additions during the year			
- Increase in cultivated	7,824,116	-	7,824,116
- Transferred to mature	(8,832,902)	8,832,902	-
Disposals during the year	-	(3,560,972)	(3,560,972)
31 December 2019	12,828,822	240,517,972	253,346,794
Accumulated amortisation			
31 December 2018	-	(39,817,277)	(39,817,277)
Charge for the year	-	(12,722,828)	(12,722,828)
Disposals during the year	-	1,618,597	1,618,597
31 December 2019	-	(50,921,508)	(50,921,508)
Carrying amount			
31 December 2019	12,828,822	189,596,464	202,425,286
31 December 2018	13,837,608	195,428,765	209,266,373

As at 31 December 2019, there is no biological asset with ownership restricted (31 December 2018: Nil).

As at 31 December 2019, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 2018: Nil).

14 *Intangible assets*

Intangible assets

Item	Land use rights	Software licenses	Trademarks	Total
Original book value				
31 December 2018	528,252,911	75,822,057	170,068,735	774,143,703
Additions during the year				
- Purchase	3,502,791	12,436,424	704,531	16,643,746
31 December 2019	531,755,702	88,258,481	170,773,266	790,787,449
Accumulated amortisation				
31 December 2018	(78,070,910)	(26,722,815)	(13,876,519)	(118,670,244)
Additions during the year				
- Charge for the year	(11,262,596)	(8,442,975)	(465,279)	(20,170,850)
Decrease during the year	-	-	-	-
31 December 2019	(89,333,506)	(35,165,790)	(14,341,798)	(138,841,094)
Carrying amount				
31 December 2019	442,422,196	53,092,691	156,431,468	651,946,355
31 December 2018	450,182,001	49,099,242	156,192,216	655,473,459

As at 31 December 2019, the Group has land use right with infinite useful lives of RMB30,589,474 (31 December 2018: RMB30,881,409), representing the freehold land held by Chile Indomita Wine Group and Australia Kilikanoon Estate under relevant Chile and Australia laws, on which the amortisation is not required.

As at 31 December 2019, the Group has trademark with infinite useful lives of RMB154,674,985 (31 December 2018: RMB154,150,933), which is held by Chile Indomita Wine Group and Australia Kilikanoon Estate. The recoverable amount of the trademark is determined according to the present value of the expected future cash flows generated from the asset group to which the single assets of trademark right belongs. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rates used in the cash flow projections are 11.6% and 12.8%, respectively. A key assumption in the estimate of future cash flows is the revenue growth rate in the projecting period. Such revenue growth rate is determined based on the industry and the expected growth rate of Chile Indomita Wine Group and Australia Kilikanoon Estate.

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

According to the result of impairment assessment, by the end of 31 December 2019, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2019, ownership restricted net value of intangible assets is RMB212,495,435 (31 December 2018: RMB218,070,414), referring to Note V. 50.

15 Goodwill

(1) Changes in goodwill

Name of investee or events from which goodwill arose	Note	31 December 2018	Additions during the year	Disposals during the year	31 December 2019
Original book value					
Etablissements Roulet Fransac ("Roulet Fransac")	(a)	13,112,525	-	-	13,112,525
Dicot Partners, S.L ("Dicot")	(a)	92,391,901	-	-	92,391,901
Societe Civile Argricole Du Chateau De Mirefleurs ("Mirefleurs")	(b)	15,761,440	-	(15,761,440)	-
Chile Indomita Wine Group	(a)	6,870,115	-	-	6,870,115
Australia Kilikanoon Estate	(a)	37,063,130	-	-	37,063,130
Sub-total		165,199,111	-	(15,761,440)	149,437,671
Impairment provision		-	(7,578,478)	-	(7,578,478)
Carrying amount		165,199,111	(7,578,478)	(15,761,440)	141,859,193

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

(b) On 22 February 2019, Francs Champs, a subsidiary of the Group, signed the Cooperation Agreement with SC Garri du Gai to contribute 100% of the equity of Mirefleurs to establish L&M Holdings, a joint venture. The Group lost control of Mirefleurs this year, and the goodwill decreased by RMB15,761,440 accordingly.

(2) Provision for impairment of goodwill

The Group has allocated the above goodwill to relevant asset groups for impairment testing.

The recoverable amount of the asset group is determined according to the present value of the expected future cash flows. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rate used in calculating the recoverable amounts of Fransac Sales, Dicot, Mirefleurs, Indomita Wine and Australia Kilikanoon Estate are 14.2%, 11.4%, 11.6% and 12.8%, respectively (2018: 16.6%, 12.4%, 16.6%, 12.3% and 13.1%). The key assumption is the growth rate of annual revenue growth rate of relevant subsidiaries, which is computed based on the expected growth rate of each subsidiary and long-term average growth rates of relevant industries. Other relevant key assumption is budget gross profit margin, which is determined based on the historical performance of each subsidiary and its expectations for market development. According to the results of the impairment test, the Group found that the recoverable amount of the asset group including goodwill of Australia Kilikanoon Estate is lower than its book value. Therefore, on 31 December 2019, the provision for impairment of goodwill was RMB7,578,478. The impairment loss was recognised in asset impairment loss.

16 Long-term deferred expenses

Item	31 December 2018	Additions during the year	Amortisation for the year	Other decreases	31 December 2019
Land lease prepayment	54,217,763	753,161	(1,472,473)	(1,369,037)	52,129,414
Land requisition fee	43,427,739	-	(1,967,479)	-	41,460,260
Greening fee	141,224,472	13,983,448	(9,255,420)	-	145,952,500
Leasehold improvement	775,647	33,568,156	(1,354,917)	-	32,988,886
Others	4,994,795	1,075,628	(1,006,075)	-	5,064,348
Total	244,640,416	49,380,393	(15,056,364)	(1,369,037)	277,595,408

17 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Item	31 December 2019		1 January 2019		31 December 2018	
	Deductible or taxable temporary differences	Deferred tax assets / (liabilities)	Deductible or taxable temporary differences	Deferred tax assets / (liabilities)	Deductible or taxable temporary differences	Deferred tax assets / (liabilities)
Deferred tax assets:						
Provision for impairment of assets	54,771,519	13,692,880	34,737,276	8,684,319	24,683,226	6,170,807
Unrealised profits of intra-group transactions	479,898,175	119,974,545	602,476,583	150,619,145	602,476,583	150,619,145
Unpaid bonus	184,674,946	46,168,736	141,808,257	35,485,814	141,808,257	35,485,814
Termination benefits	24,833,512	6,208,378	26,186,243	6,546,561	26,186,243	6,546,561
Deductible tax losses	247,147,752	63,459,305	262,937,999	67,566,387	262,937,999	67,566,387
Deferred income	70,643,437	15,422,659	86,227,293	18,868,963	86,227,293	18,868,963
Assets assessment impairment	-	-	661,415	178,582	661,415	178,582
Sub-total	1,061,969,341	264,926,503	1,155,035,066	287,949,771	1,144,981,016	285,436,259
Deferred tax liabilities:						
Revaluation due to business combinations involving entities not under common control	(51,829,561)	(14,691,424)	(81,338,130)	(22,010,647)	(81,338,130)	(22,010,647)

(2) Details of unrecognised deferred tax assets

Item	2019	2018
Deductible tax losses	132,081,819	171,430,831

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	2019	2018
2019	-	7,311,273
2020	5,718,454	45,960,766
2021	36,741,465	82,685,213
2022	26,609,674	14,362,787
2023	31,350,376	21,110,792
2024	31,661,850	-
Total	132,081,819	171,430,831

18 Other non-current assets

Item	2019	2018
Royalty	193,674,320	-

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

According to the above royalty agreement, Changyu Group collected a total of RMB576,507,809 for royalty from 2013 to 2019, of which 51% was used to promote trademarks such as Changyu and the product of this contract, totalling RMB294,018,093. The amount is used for promotion of Changyu and other trademarks and the products of this contract, totalling RMB62,250,368, the difference is RMB231,768,615.

On 18 May 2019, the general meeting of shareholders approved the proposal of the amendment to the royalty agreement. Article 6.1 of the royalty agreement with Changyu Group was amended to: During the validity period of this contract, the Group pays Changyu Group royalty on an annual basis. The royalty is calculated based on 0.98% of the sales volume of the Group's contract products using this trademark. The article is amended to: The royalty paid to the Changyu Group by the Group shall not be used to promote this trademark and the contract products.

Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022. If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs. As the amount is a long-term prepayment, the Company recognises the amount as other non-current assets and meanwhile offset the sales fee, i.e. royalty.

As at 31 December 2019, the Group's royalty in 2019 was RMB38,094,295. When the difference is deducted by the above-mentioned amount, the balance of royalty due from Changyu Group was RMB193,674,320.

19 Short-term loans

Short-term loans by category:

Item	2019	2018
Unsecured loans	661,067,617	605,202,708
Mortgaged loans	82,568,222	79,467,832
Guaranteed loans	10,677,905	3,331,870
Total	754,313,744	688,002,410

As at 31 December 2019, details of short-term borrowings were as follows:

	Amount	Exchange rate	Amount	Nature of interest rate	Interest rate	Interest rate at the end of the year
			<i>RMB</i>		%	%
Credit loans (RMB)	150,000,000	1.0000	150,000,000	Floating	1-year LPR+0.04%	4.35%
Credit loans (RMB)	400,000,000	1.0000	400,000,000	Floating	Annual benchmark interest rate (%)	4.35%
Credit loans (EUR)	6,632,932	7.8155	51,839,679	Fixed	0.85%-2.0%	0.85%-2.0%
Credit loans (USD)	8,490,000	6.9762	59,227,938	Fixed	2.81%-4.90%	2.81%-4.90%
Mortgaged loans (EUR)	6,994,232	7.8155	54,663,422	Fixed	0.35%-2.86%	0.35%-2.86%
Mortgaged loans (USD)	4,000,000	6.9762	27,904,800	Fixed	2.86%	2.86%
Guaranteed loans (AUD)	2,186,169	4.8843	10,677,905	Fixed	3%	3%
			754,313,744			

As at 31 December 2019, mortgaged loans were Hacienda y Viñedos Marques del Atrio, S.L.U ("Atrio") factoring of accounts receivable from banks including Banco de Sabadell, S.A. of EUR6,994,232 (equivalent of RMB54,663,422) (31 December 2018: RMB52,015,032). Mortgaged loans were Indomita Wine mortgaged USD4,000,000 (equivalent of RMB27,904,800) of its fixed assets to BBVA (31 December 2018: RMB27,452,800). Australia Kilikanoon Estate has guaranteed loans of AUD2,186,169 (equivalent of RMB10,677,905) (31 December 2018: RMB3,331,870).

20 *Accounts payable*

Ageing	2019	2018
Within 1 year (inclusive)	564,803,430	710,208,269
Over 1 year but within 2 years (inclusive)	2,255,083	3,091,659
Over 2 years but within 3 years (inclusive)	3,007,686	121,598
Over 3 years	186,413	151,355
Total	570,252,612	713,572,881

There is no significant account payable with ageing of more than one year.

21 *Advance payments received*

Details of advances from customers are as follows:

Item	2019	2018
Advances from customers	120,609,499	226,075,244

There is no significant advances from customers with ageing of more than one year:

22 *Employee benefits payable*(1) *Employee benefits payable:*

	Note	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Short-term employee benefits	(2)	185,893,109	530,648,082	(507,651,734)	208,889,457
Post-employment benefits - defined contribution plans	(3)	224,865	56,303,607	(55,792,325)	736,147
Termination benefits		26,186,243	12,542,984	(13,895,715)	24,833,512
Total		212,304,217	599,494,673	(577,339,774)	234,459,116

(2) Short-term employee benefits

	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Salaries, bonuses, allowances	187,685,990	481,363,315	(457,031,510)	212,017,795
Staff welfare	3,014,288	13,807,921	(14,820,620)	2,001,589
Social insurance	461,095	20,088,329	(19,981,978)	567,446
Medical insurance	460,440	17,829,589	(17,722,583)	567,446
Work-related injury insurance	655	1,131,235	(1,131,890)	-
Maternity insurance	-	1,127,505	(1,127,505)	-
Housing fund	52,510	11,993,406	(12,031,721)	14,195
Labour union fee, staff and workers' education fee	1,914,079	3,806,035	(3,785,905)	1,934,209
Sub-total	193,127,962	531,059,006	(507,651,734)	216,535,234
Less: Non-current liabilities	7,234,853	410,924	-	7,645,777
Total	185,893,109	530,648,082	(507,651,734)	208,889,457

(3) Post-employment benefits - defined contribution plans

	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Basic pension insurance	224,533	55,054,748	(54,543,144)	736,137
Unemployment insurance	332	1,248,859	(1,249,181)	10
Total	224,865	56,303,607	(55,792,325)	736,147

23 Taxes payable

Item	2019	2018
Value-added tax	88,590,035	36,442,868
Consumption tax	48,497,550	28,636,646
Corporate income tax	216,958,309	40,869,507
Individual income tax	840,997	2,476,527
Tax on the use of urban land	2,216,390	5,669,099
Education surcharges	4,858,904	4,337,712
Urban maintenance and construction tax	6,731,772	5,165,128
Others	6,476,014	5,315,303
Total	375,169,971	128,912,790

24 Other payables

	Note	31 December 2019	31 December 2018
Interest payable		758,047	712,826
Dividends payable		1,366,559	-
Others	(1)	448,407,879	607,767,064
Total		450,532,485	608,479,890

(1) Others

(a) Details of others by nature are as follows:

Item	2019	2018
Deposit payable to dealer	164,649,995	159,191,138
Advertising fee payable	90,741,404	80,715,461
Equipment and construction fee payable	72,004,009	152,825,734
Freight charges payable	31,842,443	38,867,725
Contracting fee payable	16,997,685	27,070,584
Deposits due to suppliers	13,990,900	15,901,210
Staff deposit	1,866,765	2,806,766
Royalty due to Changyu Group	-	78,414,978
Others	56,314,678	51,973,468
Total	448,407,879	607,767,064

(b) Significant others aged over one year:

Item	Balance at the end of the year	Reasons why not settled
VASF Company	4,877,876	Payables for contracting fee
Total	4,877,876	

25 *Non-current liabilities due within one year*

Non-current liabilities due within one year by category are as follows:

Item	2019	2018
Long-term loans due within one year	116,826,221	118,940,788
Long-term payables due within one year	34,000,000	34,000,000
Total	150,826,221	152,940,788

26 *Long-term loans*

(1) Long-term loans by category

Item	2019	2018
Credit loans	136,749,730	139,171,506
Guaranteed loans	105,093,000	129,500,000
Mortgaged loans	3,875,992	6,749,944
Less: Long-term loans due within one year	116,826,221	118,940,788
Total	128,892,501	156,480,662

As at 31 December 2019, details of long-term borrowings were as follows:

	Amount	Exchange rate	Amount	Nature of interest rate	Interest rate	Interest rate at the end of the year		Long-term loans due within one year	Long-term loans due after one year
						%	%		
Credit loans (EUR)	17,497,246	7.8155	136,749,730	Fixed	1.0%-1.7%	1.0%-1.7%	88,740,091	48,009,639	
Guaranteed loans (RMB)	56,250,000	1	56,250,000	Floating	90% of 5-year LPR	4.275%	25,000,000	31,250,000	
Guaranteed loans (AUD)	10,000,000	4.8843	48,843,000	Fixed	2.5%	2.5%	-	48,843,000	
Mortgaged loans (EUR)	495,937	7.8155	3,875,992	Fixed	1.8%	1.8%	3,086,130	789,862	
Total			245,718,722				116,826,221	128,892,501	

As at 31 December 2019, Credit loans were EUR17,497,246 borrowed by Atrio from Bankia, Banco Santander, BBVA and Caja Rural de Navarr etc. (equivalent of RMB136,749,730) (31 December 2018: RMB139,171,506). Mortgaged loans (RMB) were long-term borrowings of RMB56,250,000 of the R&D Centre, a subsidiary of the Company (31 December 2018: RMB81,250,000). Australia Kilikanoon Estate has borrowed AUD10,000,000 (equivalent of RMB48,843,000) (31 December 2018: RMB48,250,000) from ANZ Bank and its guaranteed by the Company. Mortgaged loans were borrowings of EUR495,937 (equivalent of RMB3,875,992) from Popular Español, pledged with its land which valued EUR2,931,722 (equivalent of RMB22,912,873) (31 December 2018: RMB6,749,944).

27 *Long-term payables*

Item	2019	2018
Agricultural Development Fund of China ("CADF")	225,000,000	259,000,000
Less: Long-term payables due within one year	34,000,000	34,000,000
Balance of long-term payables	191,000,000	225,000,000

In 2016, RMB 305,000,000 from CADF was invested in R&D Centre, CADF accounted for 37.9% of the registered capital. According to the investment agreement, CADF will recovery investment funds over 10 years, the investment income received equal to 1.2% of the remaining unpaid principal per annum. In addition to the fixed income, CADF will no longer enjoy other profits or bear the loss of R&D Centre. Therefore, although the investment in R&D Centre, nominally equity investment, is actually a debt investment (financial discount loan). The Group take this investment as long-term payables, which measured in amortized cost. The Group repays the principal of RMB 34,000,000 in 2019. Refer to Note V. 50 for details of mortgaged and pledged assets.

Balance of long-term payables	Return on investment	Investment date	Termination date of repayment	Due within one year	Due after one year	Mortgaged and pledged assets
<i>RMB</i>				<i>RMB</i>	<i>RMB</i>	
57,000,000	1.2%	12 January 2016	24 December 2025	10,000,000	47,000,000	Cash at bank and on hand and intangible assets
154,000,000	1.2%	29 February 2016	28 February 2026	22,000,000	132,000,000	Fixed assets and intangible assets
14,000,000	1.2%	16 June 2016	22 May 2026	2,000,000	12,000,000	Cash at bank and on hand
225,000,000				34,000,000	191,000,000	

28 *Deferred income*

Item	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Government grants	86,227,293	7,833,097	(23,359,102)	70,701,288

Government grants:

Liability	31 December 2018	Additions of government grants during the year	Amounts recognised in other income during the year	31 December 2019	Related to assets/income
Industrial development support project	32,800,000	-	(4,100,000)	28,700,000	Government grants related to assets
Xinjiang industrial revitalisation and technological transformation project	15,642,000	-	(1,422,000)	14,220,000	Government grants related to assets
Fixed asset investment reward of Shihezi Chateau project	6,996,600	-	(2,280,000)	4,716,600	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	6,000,000	-	(2,000,000)	4,000,000	Government grants related to assets
Special government grant for infrastructure	4,240,000	-	(1,060,000)	3,180,000	Government grants related to assets
Raw wine fermentation project	3,304,500	-	(1,434,900)	1,869,600	Government grants related to assets
Wine fermentation capacity construction (Huanren) project	3,200,000	-	(400,000)	2,800,000	Government grants related to assets
Engineering technology transformation of information system project	2,900,000	-	(580,000)	2,320,000	Government grants related to assets
Liquor electronic tracking project	2,525,257	-	(667,054)	1,858,203	Government grants related to assets
Infrastructure construction project	1,718,750	-	(1,368,750)	350,000	Government grants related to assets
Special fund for efficient water-saving irrigation project	1,639,000	500,000	(262,000)	1,877,000	Government grants related to assets
Subsidy for economic and energy-saving technological transformation projects	1,026,400	-	(128,300)	898,100	Government grants related to assets
Wine industry development project	558,000	-	(186,000)	372,000	Government grants related to assets
Subsidy for mechanic development of Penglai Daliuhang Base	-	265,397	-	265,397	Government grants related to assets
Coal subsidy	-	260,000	(58,500)	201,500	Government grants related to assets
Introduction fund for service industry development	2,000,000	400,000	(2,400,000)	-	Related to income
Cross-border e-commerce project	880,256	29,000	(69,298)	839,958	Related to income
Travelling development fund subsidy project	500,000	60,000	-	560,000	Related to income
Water pollution control project fund	206,530	-	(113,600)	92,930	Related to income
Subsidy for boiler reconstruction and demolition	90,000	-	(10,000)	80,000	Related to income
Special funds for the development of enterprises	-	6,318,700	(4,818,700)	1,500,000	Related to income
Total	86,227,293	7,833,097	(23,359,102)	70,701,288	

29

Other non-current liabilities

Item	31 December 2019	31 December 2018
Employee benefits payable	7,645,777	7,234,853

As at 31 December 2019, employee benefit represents deposit from bonus accrued for managers and above. The bonus is expected to be paid during 2021 to 2023.

30 *Share capital*

	At 31 December 2018 and 31 December 2019
Unrestricted A shares	453,460,800
B shares	232,003,200
Total of unrestricted shares	685,464,000

31 *Capital reserve*

Item	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Share premium	560,038,853	-	(905,019)	559,133,834
Others	5,916,588	-	-	5,916,588
Total	565,955,441	-	(905,019)	565,050,422

The balance between the long-term equity investment acquired due to the purchase of minority shareholding and the share of net assets continuously calculated since the date of acquisition by the subsidiary based on the proportion of newly increased shareholding shall be offset against the capital reserve. Details of non-controlling interests acquired during the year, see Note- VII. 2.

32 *Other comprehensive income*

Item	Balance at the beginning of the year attributable to shareholders of the Company	Accrued during the year					Balance at the end of the year attributable to shareholders of the Company
		Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expenses	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
Items that may be reclassified to profit or loss							
Translation differences arising from translation of foreign currency financial statements	2,965,377	(8,542,792)	-	-	(7,200,960)	(1,341,832)	(4,235,583)

33 *Surplus reserve*

Item	31 December 2019	31 December 2018
Statutory surplus reserve	342,732,000	342,732,000

In accordance with the Company Law and the Articles of Association Company, the Company appropriated 10% of its net profit to statutory surplus reserve. The appropriation to the statutory surplus reserve may be ceased when the accumulated appropriation reaches over 50% of the registered capital of the Company. The Company does not appropriate net profit to the surplus reserve in 2019 as surplus reserve of the Company is above 50% of the registered capital.

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

34 *Retained earnings*

Item	Note	2019	2018
Retained earnings at the beginning of the year (before adjustment)		8,008,982,547	7,309,081,618
Total adjustments for opening retained earnings	(1)	(7,540,537)	-
Retained earnings at the beginning of the year (after adjustment)		8,001,442,010	7,309,081,618
Add: Net profits for the year attributable to shareholders of the Company		1,129,735,749	1,042,632,929
Less: Dividends to ordinary shares	(2)	411,278,400	342,732,000
Retained earnings at the end of the year	(3)	8,719,889,359	8,008,982,547

(1) Adjustments on beginning retained earnings are as follows:

Retrospective adjustments of RMB7,540,537 made on beginning retained earnings in accordance with CAS and related new regulations (See Note III. 32).

(2) Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval at the shareholders' general meeting on 17 May 2019, a cash dividend of RMB0.6 per share (2018: RMB0.5 per share), totalling RMB411,278,400 (2018: RMB342,732,000), was declared and paid to the Company's ordinary shareholders on 8 July 2019 and 10 July 2019.

(3) Retained earnings at the end of the year

As at 31 December 2019, the consolidated retained earnings attributable to the Company included an appropriation of RMB56,059,538 (2018: RMB54,336,543) to surplus reserve made by the subsidiaries.

35 *Operating income and operating costs*

Item	2019		2018	
	Income	Cost	Income	Cost
Principal activities	4,944,119,295	1,855,399,515	5,066,265,044	1,872,991,039
Other operating activities	86,892,194	32,096,476	75,979,696	28,620,468
Total	5,031,011,489	1,887,495,991	5,142,244,740	1,901,611,507

Details of operating income:

	2019	2018
Operating income from principal activities		
- Sale of goods	4,944,119,295	5,066,265,044
Sub-total	4,944,119,295	5,066,265,044
Income from other business	86,892,194	75,979,696
Total	5,031,011,489	5,142,244,740

36

Taxes and surcharges

Item	2019	2018
Consumption tax	159,206,181	157,037,382
Urban maintenance and construction tax	36,159,526	39,655,738
Education surcharges	26,463,129	28,762,507
Property tax	29,984,237	31,461,708
Tax on the use of urban land	11,033,252	12,098,790
Stamp duty	3,088,747	4,507,785
Others	2,527,306	2,967,764
Total	268,462,378	276,491,674

37 *Selling and distribution expenses*

Item	2019	2018
Marketing fee	376,428,191	386,519,123
Salaries and benefits	353,390,023	297,489,665
Transport charges	121,007,566	141,756,007
Labour service fee	72,788,245	72,036,252
Advertising fee	45,359,135	35,857,276
Conference fee	42,272,189	32,731,215
Depreciation expense	40,227,482	41,410,740
Storage rental	37,586,638	45,668,613
Design and production fee	26,471,703	29,437,757
Travelling expenses	26,010,813	27,176,277
Water, electricity and gas fee	14,136,779	11,297,244
Royalty	(182,711,622)	73,976,395
Others	80,264,882	79,242,582
Total	1,053,232,024	1,274,599,146

38 *General and administrative expenses*

Item	2019	2018
Salaries and benefits	90,477,287	114,473,209
Depreciation expenses	61,831,915	71,978,485
Repair costs	28,555,032	25,189,384
Administrative expenses	23,101,636	23,766,176
Amortisation expenses	18,373,495	18,187,049
Amortisation of greening fee	18,409,031	14,730,804
Contracting fee	13,377,255	13,364,835
Rental charge	12,938,864	13,012,167
Safety production costs	9,510,828	9,692,574
Security and cleaning fee	8,124,135	8,659,405
Others	27,205,178	30,526,563
Total	311,904,656	343,580,651

39 *Financial expenses*

Item	2019	2018
Interest expenses from loans and payables	50,212,059	52,198,774
Less: Borrowing costs capitalised	1,141,265	5,843,872
Less: Financial expenses offset by fiscal interest subsidy	7,500,000	-
Interest income from deposits and receivables	(12,327,441)	(12,086,007)
Net exchange (gains) / losses	3,611,536	(666,323)
Other financial expenses	2,435,813	2,342,730
Total	35,290,702	35,945,302

Fiscal interest subsidy during reporting period has been included in non-recurring gains and losses.

40 *Other income*

Item	2019	2018	Related to assets/income
Reward on the fixed asset investment	2,280,000	2,280,000	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	2,000,000	2,000,000	Government grants related to assets
Industrial development support project	4,100,000	4,100,000	Government grants related to assets
Others - Government grants related to assets	7,567,504	8,579,199	Government grants related to assets
Special funds for the development of enterprises	37,449,390	42,953,900	Related to income
Tax refunds	8,724,775	6,587,773	Related to income
Strong industrial city special funds	2,518,700	4,750,000	Related to income
Others - Government grants related to income	12,697,212	16,030,562	Related to income
Total	77,337,581	87,281,434	

Other income during reporting period has been included in non-recurring gains and losses.

41 *Investment income*

Investment income by item

Item	Note	2019	2018
Long-term equity investment losses under equity method		(1,120,928)	-
Investment income from disposal of long-term equity investments	(1)	6,233,661	-
Total		5,112,733	-

- (1) On 22 February 2019, Francs Champs, a subsidiary of the Group, signed the Cooperation Agreement with SC Garri du Gai to establish L&M Holdings, a joint venture. Francs Champs contributed 100% of the equity of its subsidiary, Mirefleurs, with a fair value of RMB45,102,058. The deference of RMB6,233,661 between the book value of fair value of net asset of Mirefleurs and the goodwill of Mirefleurs was when it was acquired by the Group was included in investment income.

42 *Credit losses*

Item	2019
Accounts receivable	7,304,777
Total	7,304,777

43 *Impairment losses / (reversal)*

Item	2019	2018
Inventories	(4,503,589)	(912,166)
Fixed assets	17,478,027	-
Goodwill	7,578,478	-
Total	20,552,916	(912,166)

44 *Gains from asset disposals*

Item	2019	2018
Gains from disposal of fixed assets	39,015	11,368,355

Gains from disposal of assets during reporting period has been included in non-recurring gains and losses.

45 *Non-operating income and non-operating expenses*

- (1) Non-operating income by item is as follows:

Item	2019	2018
Net penalty income	2,593,116	1,901,530
Others	8,328,632	5,451,779
Total	10,921,748	7,353,309

Non-operating income during reporting period has been included in non-recurring gains and losses.

(2) Non-operating expenses

Item	2019	2018
Compensation, penalty and fine expenses	403,975	1,445,721
Donations provided	699,296	593,819
Others	2,519,998	1,496,368
Total	3,623,269	3,535,908

Non-operating expenses during reporting period has been included in non-recurring gains and losses.

46 *Income tax expenses*

Item	Note	2019	2018
Current tax expense for the year based on tax law and regulations		385,102,064	352,598,370
Changes in deferred tax assets/liabilities	(1)	15,704,045	14,529,152
Total		400,806,109	367,127,522

(1) The analysis of changes in deferred tax is set out below:

Item	2019	2018
Origination of temporary differences	15,704,045	14,529,152
Total	15,704,045	14,529,152

(2) Reconciliation between income tax expenses and accounting profit:

Item	2019	2018
Profit before taxation	1,530,514,737	1,408,611,698
Estimated income tax at 25%	382,628,684	352,152,925
Effect of different tax rates applied by subsidiaries	(707,938)	(949,634)
Effect of non-deductible costs, expense and losses	6,705,569	5,496,292
Effect of deductible losses of deferred tax assets not recognised for the year	7,397,810	4,642,727
Deferred tax assets written-off	4,781,984	5,785,212
Income tax expenses	400,806,109	367,127,522

47 *Basic earnings per share and diluted earnings per share*

(1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company	1,129,735,749	1,042,632,929
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share (RMB/share)	1.65	1.52

Weighted average number of ordinary shares is calculated as follows:

	2019	2018
Issued ordinary shares at the beginning of the year	685,464,000	685,464,000
Weighted average number of ordinary shares at the end of the year	685,464,000	685,464,000

(2) The Group does not have any potential dilutive ordinary shares for the listed years.

48 *Cash flow statement*

(1) Proceeds relating to other operating activities:

Item	2019	2018
Government grants	69,311,576	57,123,900
Penalty income	2,593,116	1,901,530
Interest income from bank	12,327,441	7,871,853
Others	9,512,388	5,806,589
Total	93,744,521	72,703,872

(2) Payments relating to other operating activities:

Item	2019	2018
Selling and distribution expenses	761,969,906	918,966,855
General and administrative expenses	138,738,416	140,112,380
Others	12,856,014	4,637,082
Total	913,564,336	1,063,716,317

(3) Proceeds relating to other financing activities:

Item	2019	2018
R&D Centre pledged deposit for long-term payables	-	61,700,000
Interest income from R&D Centre pledged deposit for long-term payables	-	768,259
Total	-	62,468,259

(4) Payments relating to other financing activities:

Item	2019	2018
Proceed from acquisitions of non-controlling interests' distributions or interest	11,619,552	-
R&D Centre pledged deposit for long-term payables	-	46,100,000
Total	11,619,552	46,100,000

49 *Supplementary information on cash flow statement*

(1) Supplement to cash flow statement

a. Reconciliation of net profit to cash flows from operating activities:

Item	2019	2018
Net profit	1,129,708,628	1,041,484,176
Add: Provisions for impairment of assets / (reversal)	20,552,916	(912,166)
Credit losses	7,304,777	-
Depreciation of fixed assets and investment property	304,643,874	299,696,260
Amortisation of intangible assets	20,170,850	19,018,740
Amortisation of long-term deferred expenses	15,056,364	12,082,117
Amortisation of biological assets	12,722,828	12,034,812
Gains from disposal of fixed assets, intangible assets, and other long-term assets	(39,015)	(11,368,355)
Financial expenses	49,508,886	45,855,744
Royalty	(182,711,622)	-
Investment income	(5,112,733)	-
Decrease in deferred tax assets	23,023,268	22,685,137
Decrease in deferred tax liabilities	(7,319,223)	(8,155,985)
Decrease in gross inventories	(158,274,938)	(180,452,933)
Increase in operating receivables	(290,520,189)	(137,899,294)
Decrease in operating payables	(100,876,647)	(138,089,507)
Net cash flows from operating activities	837,838,024	975,978,746

b. Significant investing and financing activities not requiring the use of cash:

Item	2019	2018
Payment of intangible assets and other long-term assets by bank acceptances	165,716,961	109,378,598

c. Change in cash and cash equivalents:

Item	2019	2018
Cash equivalents at the end of the year	1,365,772,675	1,206,860,334
Less: Cash equivalents at the beginning of the year	1,206,860,334	1,180,889,274
Net increase in cash and cash equivalents	158,912,341	25,971,060

(2) Details of cash and cash equivalents

Item	2019	2018
Cash at bank and on hand		
Including: Cash on hand	59,975	114,335
Bank deposits available on demand	1,365,712,700	1,206,745,999
Closing balance of cash and cash equivalents	1,365,772,675	1,206,860,334

50 Assets with restrictive ownership title or right of use

Item	Opening balance	Additions during the year	Decrease during the year	Balance at the end of the year	Reason for restriction
Cash at bank and on hand	95,797,743	-	(1,915,038)	93,882,705	R&D Centre mortgage for long-term payables etc.
Account receivable (i)	52,015,032	183,997,103	(181,348,713)	54,663,422	Short-term borrowings mortgage from Atrio
Fixed assets	412,006,421	-	(67,335,569)	344,670,852	R&D Centre mortgage for long-term payables and long-term and short-term borrowings
Intangible assets	218,070,414	-	(5,574,979)	212,495,435	R&D Centre mortgage for long-term payables
Total	777,889,610	183,997,103	(256,174,299)	705,712,414	

- (i) As at 31 December 2019, the amount of accounts receivable with restricted ownership is EUR 6,994,232 (equivalent of RMB54,663,422), which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2018: EUR6,628,399, equivalent of RMB52,015,032)

VI. Change of consolidation scope

Disposal of subsidiaries

Disposal of investments in subsidiaries through a single transaction resulting in loss of control

Name	Consideration	Shareholding being disposed (%)	Disposal method	Date of losing control	Basis for determining date of losing control	Difference between consideration received and the related share of net assets in consolidated financial statements
Mirefleurs	45,102,058	100	Transfer by agreement	30/03/2019	Asset delivery date	6,233,661

The Group recognised a gain of RMB6,233,661 on disposal of Mirefleurs resulting in loss of control, which has been included in investment income of consolidated financial statements.

VII. Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Xinjiang Tianzhu Wine Co., Ltd. ("Xinajing Tianzhu")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB75,000,000	60	-	Business combinations involving entities not under common control
Etablissements Roulet Fransac ("Roulet Fransac")	Cognac, France	Cognac, France	Trading	EUR2,900,000	-	100	Business combinations involving entities not under common control
Dicot Partners, S.L ("Dicot")	Navarre, Spain	Navarre, Spain	Marketing and sales	EUR2,000,000	75	-	Business combinations involving entities not under common control
Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SpA. ("Chile Indomita Wine Group")	Santiago, Chile	Santiago, Chile	Marketing and sales	CLP31,100,000,000	85	-	Acquired through establishment or investment
Kilikanoon Estate Pty Ltd ("Australia Kilikanoon Estate")	Adelaide, Australia	Adelaide, Australia	Marketing and sales	AUD6,420,000	82.5	-	Business combinations involving entities not under common control
Beijing Changyu Sales and Distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Marketing and sales	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB15,410,000	100	-	Acquired through establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd ("Chateau Changyu") (c)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB5,000,000	70	-	Acquired through establishment or investment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB1,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer Wine Sales Co.,	Yantai, Shandong,	Yantai, Shandong,	Marketing and	RMB8,000,000	100	-	Acquired through

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Ltd. ("Sales Company")	China	China	sales				establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel")	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	RMB6,108,818	39	10	Acquired through establishment or investment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Marketing and sales	RMB1,000,000	30	70	Acquired through establishment or investment
Beijing Changyu AFIP Agriculture development Co., Ltd ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Beijing Chateau Changyu AFIP Global Co., Ltd. ("AFIP") (d)	Beijing, China	Beijing, China	Manufacturing	RMB 64,2750,000	91.53	-	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	70	30	Acquired through establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Ningxia Changyu Grape Growing Co., Ltd. ("Ningxia Growing")	Yinchuan, Ningxia, China	Ningxia, China	Plating	RMB1,000,000	100	-	Acquired through establishment or investment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Marketing and sales	RMB2,000,000	100	-	Acquired through establishment or investment
Liaoning Changyu Golden Icewine Valley Co., Ltd. ("Golden Icewine Valley") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	RMB59,687,300	51	-	Acquired through establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Shenzhen Changyu Wine Marketing Ltd. ("Shenzhen Marketing") (a)	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Yantai Changyu Fushan Trading Company ("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Services	RMB500,000	-	100	Acquired through establishment or investment
Beijing AFIP Tourism and Culture ("AFIP Tourism")	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Changyu (Ningxia) Wine Co., Ltd. ("Ningxia Wine")	Ningxia, China	Ningxia, China	Manufacturing	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. ("Chateau Tinlot")	Yantai, Shandong, China	Yantai, Shandong, China	Wholesale and retail	RMB400,000,000	65	35	Acquired through establishment or investment
Qing Tong Xia Changyu Wine Marketing Ltd. ("Qing Tong Xia Sales")	Ningxia, China	Ningxia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Xinjiang Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB550,000,000	100	-	Acquired through establishment or investment
Ningxia Chateau Changyu Moser XV Co., Ltd. ("Chateau Ningxia")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	RMB2,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Co., Ltd. ("Chateau Changan")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB20,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre") (f)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB805,000,000	68.97	-	Acquired through establishment or investment
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi, Liaoning, China	Benxi, Liaoning, China	Wine production projecting	RMB5,000,000	100	-	Acquired through establishment or investment
Xinjiang Changyu Sales Co., Ltd ("Xinjiang Sales")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Marketing and sales	RMB10,000,000	-	100	Acquired through establishment or investment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Shaanxi Changyu Rena Wine Sales Co., Ltd ("Shaanxi Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB3,000,000	-	100	Acquired through establishment or investment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Sales")	Penglai, Shandong, China	Penglai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou, Shandong, China	Laizhou, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Francs Champs Participations SAS ("Francs Champs")	Cognac, France	Cognac, France	Investment and trading	EUR32,000,000	100	-	Acquired through establishment or investment
Lanzhou Changyu Wine Sales Co., Ltd ("Lanzhou Sales") (a)	Lanzhou Gansu, China	Lanzhou Gansu, China	Marketing and sales	RMB100,000	-	100	Acquired through establishment or investment
Beijing Retailing Co. Ltd ("Beijing Retailing")	Beijing, China	Beijing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Tianjin Changyu Pioneer Sales Co., Ltd ("Tianjin Pioneer")	Tianjin, China	Tianjin, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Fuzhou Changyu Pioneer Sales Co., Ltd ("Fuzhou Pioneer") (a)	Fuzhou, Fujian, China	Fuzhou, Fujian, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Nanjing Changyu Pioneer Sales Co., Ltd ("Nanjing Pioneer") (a)	Nanjing, Jiangsu, China	Nanjing, Jiangsu, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Xianyang Changyu Pioneer Sales Co., Ltd ("Xianyang Pioneer") (a)	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Shenyang Changyu Pioneer Sales Co., Ltd ("Shenyang Pioneer") (a)	Shenyang, Liaoning, China	Shenyang, Liaoning, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Jinan Changyu Pioneer Sales Co., Ltd ("Jinan Pioneer") (a)	Jinan, Shandong, China	Jinan, Shandong, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Shanghai Changyu Pioneer Sales Co., Ltd ("Shanghai Pioneer") (a)	Shanghai, China	Shanghai, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Fuzhou Changyu Pioneer Sales Co., Ltd ("Fuzhou Pioneer") (a)	Fuzhou, Jiangxi, China	Fuzhou, Jiangxi, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Shijiazhuang Changyu Pioneer Sales Co.,	Shijiazhuang, Hebei,	Shijiazhuang, Hebei,	Marketing and	RMB500,000	-	100	Acquired through

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Ltd ("Shijiazhuang Pioneer") (a)	China	China	sales				establishment or investment
Hangzhou Yuzefeng Sales Co., Ltd ("Hangzhou Yuzefeng") (a)	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Jilin Changyu Pioneer Sales Co., Ltd ("Jilin Pioneer") (a)	Changchun, Jilin, China	Changchun, Jilin, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Beijing Changyu Pioneer Sales Co., Ltd ("Beijing Pioneer")	Beijing, China	Beijing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Harbin Changyu Pioneer Sales Co., Ltd ("Harbin Pioneer") (a)	Heilongjiang, China	Heilongjiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Hunan Changyu Pioneer Sales Co., Ltd ("Hunan Pioneer") (a)	Changsha, Hunan, China	Changsha, Hunan, China	Marketing and sales	RMB2,000,000	-	100	Acquired through establishment or investment
Yinchuan Changyu Pioneer Sales Co., Ltd ("Yinchuan Pioneer") (a)	Ningxia, China	Ningxia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Kunming Changyu Pioneer Sales Co., Ltd ("Kunming Pioneer") (a)	Kunming, Yunnan, China	Kunming, Yunnan, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Chongqing Changyu Pioneer Sales Co., Ltd ("Chongqing Pioneer") (a)	Chongqing, China	Chongqing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Wuhan Changyu Pioneer Sales Co., Ltd ("Wuhan Pioneer") (a)	Wuhan, Hubei, China	Wuhan, Hubei, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Hohhot Changyu Pioneer Sales Co., Ltd ("Hohhot Pioneer") (a)	Hohhot, Inner Mongolia, China	Hohhot, Inner Mongolia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Chengdu Changyu Pioneer Sales Co., Ltd ("Chengdu Pioneer") (a)	Chengdu, Sichuan, China	Chengdu, Sichuan, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Nanning Changyu Pioneer Sales Co., Ltd ("Nanning Pioneer") (a)	Nanning, Guangxi, China	Nanning, Guangxi, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Lanzhou Changyu Pioneer Sales Co., Ltd ("Lanzhou Pioneer") (a)	Lanzhou, Gansu, China	Lanzhou, Gansu, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Yantai Roullet Fransac Wine Sales Co., Ltd. ("Yantai Roullet Fransac")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Hefei Changyu Pioneer Sales Co., Ltd ("Hefei Pioneer") (a)	Hefei, Anhui, China	Hefei, Anhui, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Urumchi Changyu Pioneer Sales Co., Ltd ("Urumchi Pioneer") (a)	Xinjiang, China	Xinjiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Guangzhou Changyu Pioneer Sales Co., Ltd ("Guangzhou Pioneer") (a)	Guangzhou, Guangdong, China	Guangzhou, Guangdong, China	Marketing and sales	RMB11,000,000	-	100	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Tourism Co., Ltd ("Chateau Tourism")	Xianxin, Shaanxi, China	Xianxin, Shaanxi, China	Tourism	RMB1,000,000	-	100	Acquired through establishment or investment
Longkou Changyu Wine Sales Co., Ltd ("Longkou Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Societe Civile Agricole Du Chateau De Mirefleurs ("Mirefleurs") (b)	Bordeaux, France	Bordeaux, France	Trading	EUR30,000	-	100	Business combinations involving entities not under common control

- (a) Companies above were deregistered in 2019.
(b) Mirefleurs was disposed as the contribution of L&M Holdings for the year.

Reasons for the inconsistency between the proportion of shareholdings in a subsidiary and the proportion of voting rights:

- (c) Chateau Changyu is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.
- (d) AFIP is a limited liability company established by [] (“Yantai Dean”) and [] (“Beijing Qinglang”). In June 2019, Yantai Dean transferred 1.31% of its equity to Yantai Changyu. After the equity change, the Company holds 91.53% of its equity. Through agreement arrangement, the Company has the full power to control AFIP's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2024.
- (e) Golden Icewine Valley is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 51% of Golden Icewine Valley's equity interest. Through agreement arrangement, the Company has the full power to control Golden Icewine Valley's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2021.
- (f) R&D Centre is a joint venture established by the Company and CADF, accounting for 68.97% of R&D Centre's equity interest. Through agreement arrangement in Note V. 27, the Company has the full power to control R&D Centre's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 22 May 2026. As at 31 December 2019, remaining investment of CADF accounts for 31.03% of the registered capital.

(2) Material non-wholly owned subsidiaries

Name of the Subsidiary	Proportion of ownership interest held by non-controlling interests	Comprehensive income attributable to non-controlling interests for the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
Xinjiang Tianzhu	40%	3,028,510	-	(47,584,138)
Dicot	25%	(1,509,224)	1,366,691	(31,869,464)
Chateau Changyu	30%	-	-	(12,365,016)
Langfang Castel	51%	1,288,873	-	(19,639,108)
AFIP	8%	-	-	(56,409,393)
Golden Icewine Valley	49%	-	-	(33,319,062)
IWCC	15%	(1,697,700)	846,398	(53,931,129)
Australia Kilikanoon Estate	17%	258,494	163,705	(14,810,422)
Total		1,368,953	2,376,794	(269,927,732)

(3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	Xinjiang Tianzhu		Dicot		Chateau Changyu		Langfang Castel	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	24,829,435	27,390,495	470,219,326	464,421,130	142,525,011	141,298,023	19,021,766	17,659,511
Non-current assets	61,886,751	66,486,795	91,571,444	99,080,668	113,168,202	114,694,168	14,958,223	16,001,682
Total assets	86,716,186	93,877,290	561,790,770	563,501,798	255,693,213	255,992,191	33,979,989	33,661,193
Current liabilities	36,185	-	380,788,880	381,659,315	174,843,671	171,869,662	4,023,101	3,358,322
Non-current liabilities	5,336,114	5,336,114	53,110,213	54,520,937	400,000	-	-	-
Total liabilities	5,372,299	5,336,114	433,899,093	436,180,252	175,243,671	171,869,662	4,023,101	3,358,322
Operating income	-	18,803	289,273,434	327,550,545	87,051,981	121,235,278	-	5,038,281
Net profit	(7,571,274)	(6,902,010)	6,463,473	3,811,465	611,622	3,710,124	(123,706)	(3,479,492)
Total comprehensive income	(7,571,274)	(6,902,010)	6,036,896	3,376,761	611,622	3,710,124	(123,706)	(3,479,492)
Cash flows from operating activities	20,457	43,112	(8,744,451)	6,129,923	6,919,481	16,096,447	7,875	673,422

	AFIP		Golden Icewine Valley		Chile Indomita Wine Group		Australia Kilikanoon Estate	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	251,829,164	219,973,582	38,234,720	45,194,591	223,722,688	214,784,490	94,473,620	87,634,707
Non-current assets	452,444,880	461,115,089	23,291,375	23,920,890	291,630,115	300,969,342	61,770,599	63,759,866
Total assets	704,274,044	681,088,671	61,526,095	69,115,481	515,352,803	515,753,832	156,244,219	151,394,573
Current liabilities	45,607,611	62,598,545	12,077,206	14,974,458	142,365,749	148,359,328	21,801,347	13,387,942
Non-current liabilities	201,500	-	100,000	100,000	5,152,974	4,976,161	50,741,981	51,893,171
Total liabilities	45,809,111	62,598,545	12,177,206	15,074,458	147,518,723	153,335,489	72,543,328	65,281,113
Operating income	266,347,444	159,369,783	32,223,734	57,290,490	253,543,171	262,104,563	56,399,115	57,648,905
Net profit	30,398,744	16,555,846	(5,764,649)	870,994	16,279,461	15,934,347	463,409	217,869
Total comprehensive income	30,398,744	16,555,846	(5,764,649)	870,994	10,322,810	17,465,900	(1,477,115)	(1,550,720)
Cash flows from operating activities	27,503,336	19,627,933	1,655,465	289,782	5,073,408	3,584,648	479,624	(1,522,151)

2 Transactions that cause changes in interests in subsidiaries that do not result in loss of control

(1) Changes in interests in subsidiaries:

Year	Name of the Subsidiary	Proportion of ownership interest held by non-controlling interests acquired	Acquisition date
2019	AFIP	1.31%	21 June 2019
2019	Australia Kilikanoon Estate	2.5%	08 October 2019

(2) Impact from transactions with non-controlling interests and equity attributable to the shareholders of the Company:

	AFIP	Australia Kilikanoon Estate
Purchase cost		
- Cash	8,479,444	3,140,108
Total	8,479,444	3,140,108
Less: share of net assets in subsidiaries based on the shares acquired	8,724,476	1,990,057
Difference		
Including: Adjustment on capital reserve	(245,032)	1,150,051

VIII. Risk related to financial instruments

The Group has exposure to the following main risks from its use of financial instruments in the normal course of the Group's operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

The following mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the Group has adopted a policy to ensure that all sales customers have good credit records. According to the policy of the Group, credit review is required for clients who require credit transactions. In addition, the Group continuously monitors the balance of account receivable to ensure there's no exposure to significant bad debt risks. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2019, 20.3% of the Group trade receivables are due from top five customers (31 December 2018: 19.8%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the Company's board when the borrowings exceed certain predetermined levels). The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

Item	2019 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	768,403,432	-	-	-	768,403,432	754,313,744
Accounts payable	570,252,612	-	-	-	570,252,612	570,252,612
Other payables	450,532,485	-	-	-	450,532,485	450,532,485
Long-term loans (including the portion due within one year)	121,077,261	51,214,719	77,814,096	5,577,899	255,683,975	245,718,722
Long-term payables (including the portion due within one year)	36,462,109	36,054,170	106,374,904	55,473,753	234,364,936	225,000,000
Total	1,946,727,899	87,268,889	184,189,000	61,051,652	2,279,237,440	2,245,817,563

Item	2018 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	701,861,292	-	-	-	701,861,292	688,002,410
Accounts payable	713,572,881	-	-	-	713,572,881	713,572,881
Other payables	608,479,890	-	-	-	608,479,890	608,479,890
Long-term loans (including the portion due within one year)	126,176,001	121,080,909	47,493,128	-	294,750,038	275,421,450
Long-term payables (including the portion due within one year)	36,921,367	36,462,109	107,093,324	90,356,300	270,833,100	259,000,000
Total	2,187,011,431	157,543,018	154,586,452	90,356,300	2,589,497,201	2,544,476,631

3 Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Item	2019		2018	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	1.1%-2.75%	106,128,600	1.5%-3.8%	173,042,400
Financial liabilities				
- Short-term loans	0.35%-4.9%	(204,313,744)	0.35%-4.9%	(138,002,410)
- Long-term loans (including the portion due within one year)	1%-2.5%	(189,468,722)	1%-3%	(194,171,450)
- Long-term payables (including the portion due within one year)	1.20%	(225,000,000)	1.20%	(259,000,000)
Total		(512,653,866)		(418,131,460)

Variable rate instruments:

Item	2019		2018	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	0.3%-1.75%	1,459,595,405	0.3%-1.75%	1,302,543,742
Financial liabilities				
- Short-term loans	LPR	(550,000,000)	LPR	(550,000,000)
- Long-term loans (including the portion due within one year)	90% of 5-year LPR	(56,250,000)	90% of 5-year LPR	(81,250,000)
Total		853,345,405		671,293,742

(2) Sensitivity analysis

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

As at 31 December 2019, based on assumptions above, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would decrease the Group's equity by RMB2,273,438 (2018: RMB2,016,667), and net profit by RMB2,273,438 (2018: RMB2,016,667).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

4 Foreign currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (1) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

	2019		2018	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand	6,662,525	46,592,414	7,497,971	51,483,850
- USD	6,525,673	45,524,399	7,472,303	51,283,910
- EUR	136,628	1,067,814	25,455	199,753
- HKD	224	201	213	187
Short-term loans	12,490,000	87,132,738	11,000,000	75,495,200
- USD	12,490,000	87,132,738	11,000,000	75,495,200

- (2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Balance sheet date mid-spot rate	
	2019	2018	2019	2018
USD	6.8948	6.7158	6.9762	6.8632
EUR	7.7161	7.8113	7.8155	7.8473
HKD	0.8801	0.8464	0.8958	0.8762

- (3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar, Euro and Hong Kong dollar at 31 December would have impact on the Group's equity and net profit by the amount shown below. whose effect is in Renminbi and translated using the spot rate at the year-end date:

	Equity	Net profit
31 December 2019		
USD	2,080,417	2,080,417
EUR	(53,391)	(53,391)
HKD	(10)	(10)
Total	2,027,016	2,027,016
31 December 2018		
USD	1,210,565	1,210,565
EUR	(53,391)	(53,391)
HKD	-	-
Total	1,157,174	1,157,174

A 5% weakening of the Renminbi against the US dollar, Euro and Hong Kong dollar at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

IX. Fair value disclosure

All financial assets and financial liabilities held by the Group are carried at amounts not materially different from their fair value at 31 December 2019 and 31 December 2018.

X. Related parties and related party transactions

1 Information about the parent of the Company

Company name	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Percentage of voting rights (%)	Ultimate controlling party of the Company
Changyu Group	Yantai	Manufacturing	50,000,000	50.4%	50.4%	Jointly controlled by Yantai GuoFeng Investment Holding Group Co., Ltd., ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

There are no changes on the registered capital and shareholding percentage / percentage of voting rights of the parent company.

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

3 Information about joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note VII.3.

Joint ventures and associates that have related party transactions with the Group during this year or the previous year are as follows:

Name of entity	Relationship with the Company
L&M Holdings	Joint venture of the Group

4 Information on other related parties

Name of other related parties	Related party relationship
Yantai Changyu Wine Culture Museum Co., Ltd. ("Wine Culture Museum")	Controlled by the same parent company
Yantai Changyu International Window of the Wine City Co., Ltd. ("Window of the Wine City")	Controlled by the same parent company
Yantai Shenma Packaging Co., Ltd. ("Shenma Packaging")	Controlled by the same parent company
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd. ("Zhongya Pharmaceutical")	Controlled by the same parent company
Yantai Changyu Culture Tourism Production Sales Co., Ltd. (" Culture Sales")	Controlled by the same parent company
Yantai Changyu Culture Tourism Development Co., Ltd. (" Culture Development ")	Controlled by the same parent company
L&M Holdings	Joint ventures
Mirefleurs	Subsidiaries of the joint venture
CHATEAU DE LIVERSAN ("LIVERSAN")	Subsidiaries of the joint venture

5 Transactions with related parties

(1) Product procurement

Related parties	Nature of transaction	2019	2018
Shenma Packaging	Product procurement	133,587,430	173,238,289
Zhongya Pharmaceutical	Product procurement	1,244,991	15,690,930
Wine Culture Museum	Product procurement	10,832,751	16,784,711
Window of the Wine City	Product procurement	8,556,698	7,913,342
Culture sales	Product procurement	573,849	35,857
Culture development	Product procurement	2,820,545	-
Mirefleurs	Product procurement	6,429,542	-
L&M Holdings	Product procurement	1,632,941	-
Total		165,678,747	213,663,129

(2) Sales of goods

Related parties	Nature of transaction	2019	2018
Culture development	Sales of goods	9,592,510	-
Wine Culture Museum	Sales of goods	8,305,228	23,515,379
Window of the Wine City	Sales of goods	7,723,602	13,821,555
Zhongya Pharmaceutical	Sales of goods	4,474,004	4,552,269
Culture sales	Sales of goods	3,840,804	2,914,686
Shenma Packaging	Sales of goods	347,453	348,247
Total		34,283,601	45,152,136

(3) Leases

(a) As the lessor

Name of lessee	Type of assets leased	Lease income recognised in 2019	Lease income recognised in 2018
Shenma Packaging	Offices and plants	1,492,550	1,478,982
Zhongya Pharmaceutical	Offices and plants	522,936	518,182
Total		2,015,486	1,997,164

(b) As the lessee

Name of lessor	Type of assets leased	Lease expense recognised in 2019	Lease expense recognised in 2018
Changyu Group	Office buildings	1,612,118	1,538,840
Changyu Group	Offices and plants	1,394,762	1,331,364
Changyu Group	Offices and plants	4,184,286	3,994,091
Total		7,191,166	6,864,295

(4) Remuneration of key management personnel

Item	2019	2018
Remuneration of key management personnel	12,297,689	13,102,005

(5) Other related party transactions

Related parties	Nature of transaction	Note	2019	2018
Changyu Group	Royalty	(a)	35,938,014	73,976,395
Changyu Group	Royalty deducted in the previous years	(a)	(218,649,636)	-
Changyu Group	Patent fee		-	50,000
Total			(182,711,622)	74,026,395

(a) Contract of trademarks usage

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

According to the above royalty agreement, Changyu Group collected a total of RMB576,507,809 for royalty from 2013 to 2019, of which 51% was used to promote trademarks such as Changyu and the product of this contract, totalling RMB294,018,093. The amount is used for promotion of Changyu and other trademarks and the products of this contract, totalling RMB62,250,368, the difference is RMB231,768,615.

On 18 May 2019, the general meeting of shareholders approved the proposal of the amendment to the royalty agreement. Article 6.1 of the royalty agreement with Changyu Group was amended to: During the validity period of this contract, the Group pays Changyu Group royalty on an annual basis. The royalty is calculated based on 0.98% of the sales volume of the Group's contract products using this trademark. The article is amended to: The royalty paid to the Changyu Group by the Group shall not be used to promote this trademark and the contract products.

In addition, in accordance with agreement the Group signed with Changyu Group in November 2019, Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022. If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs.

As at 31 December 2019, the Group offset the royalty for the year of RMB182,711,622, including the royalty of RMB35,938,014 occurred in 2019 and the deduction of the previous year's sales expenses of RMB218,649,636 (exclusive of tax).

6 Receivables from and payables to related parties

Receivables from related parties

Item	Related party	2019		2018	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Zhongya Pharmaceutical	4,292,386	909,935	2,768,391	-
Accounts receivable	Shenma Packaging	-	-	17,137	-
Accounts receivable	Window of the Wine City	1,610,485	633,980	1,911,157	-
Other non-current assets	Changyu Group	193,674,320	-	-	-
Other receivables	Shenma Packaging	813,400	-	813,400	-

Payables to related parties

Item	Related party	2019	2018
Accounts payable	Shenma Packaging	39,893,538	55,366,785
Accounts payable	Zhongya Pharmaceutical	1,024,310	6,722,667
Accounts payable	Wine Culture Museum	4,874,963	4,646,731
Accounts payable	Window of the Wine City	3,758,054	4,789,600
Accounts payable	Culture sales	297,956	-
Accounts payable	Culture development	142,610	-
Other payables	Shenma Packaging	450,000	450,000
Other payables	Changyu Group	-	78,414,978

XI. Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

XII. Commitments and contingencies

1 Significant commitment

(1) Capital commitments

Item	2019	2018
Long-term assets acquisition commitment	679,980,000	996,675,000
Total	679,980,000	996,675,000

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the Group's properties were payable as follows:

Item	2019	2018
Within 1 year (inclusive)	17,756,000	20,576,000
Over 1 year but within 2 years (inclusive)	16,189,000	11,757,000
Over 2 years but within 3 years (inclusive)	9,757,000	10,064,000
Over 3 years	89,550,940	84,095,000
Total	133,252,940	126,492,000

2 Contingencies

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

XIII. Subsequent events

1 Distribution of dividends on ordinary shares approved after the balance sheet date

According to the proposal of the Board of Directors on 22 April 2020, the Company intends to distribute cash dividend totaling RMB479,824,800 to all shareholders of 685,464,000 capital shares for the year ended 31 December 2019 on the basis of RMB7.0 (including tax) for every 10 shares. The proposal is subject to the approval by the Shareholders' meeting. This distribution of profit in cash has not been recognised as a liability at the balance sheet date.

2 Impact of COVID-19

Since the outbreak of COVID-19 in January 2020, the Company has been proactively performing prevention and control measures internally. The Company has also fulfilled its social responsibility while conducting prevention and control measures and operation. After the outbreak, the Company has analysed the possible impact, and sorted out all business objectives and adjusted operation contingency plans to make sure the normal business operations.

The Company will closely follow the development of COVID-19, assess and proactively react to the possible impacts on the financial position and financial performance etc.

XIV. Other significant items

1 *Segment reporting*

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into four parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2019, over 89% of revenue, more than 98% of profit and over 92% of non-current assets derived from China / are located in China. Therefore, the Group does not need to disclose additional segment report information.

XV. Notes to the Company's financial statements

1 *Accounts receivable*

(1) Accounts receivable by customer type are as follows:

Type	31 December 2019	31 December 2018
Amounts due from related parties	2,589,936	1,447,973
Sub-total	2,589,936	1,447,973
Less: Provision for bad and doubtful debts	601,610	-
Total	1,988,326	1,447,973

(2) The ageing analysis of accounts receivable is as follows:

Ageing	2019	2018
Within 1 year (inclusive)	2,019,936	1,447,973
Over 1 year but within 2 years (inclusive)	570,000	-
Sub-total	2,589,936	1,447,973
Less: Provision for bad and doubtful debts	601,610	-
Total	1,988,326	1,447,973

The ageing is counted starting from the date when account receivables are recognised.

(3) Accounts receivable by provisioning method

(a) Assessment of ECLs on accounts receivable in 2019:

At all times the Company measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the loss given default. According to the historical experience of the Company, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

	Loss given default	Carrying amount at the end of the year	Impairment loss at the end of the year
Current	0.8%	1,449,936	12,179
Overdue for 1 to 30 days	3.4%	570,000	19,431
Overdue for 330 to 360 days	100.0%	570,000	570,000
Total	23.2%	2,589,936	601,610

The loss given default is measured based on the actual credit loss experience in the past 12 months, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(b) Impairment of account receivables in 2018

Under previous financial instruments standards, provision for impairments is made when there is objective evidence of impairment.

(4) Accounts receivable by debtor at the end of the year:

Name	Relationship with the Group	Balance of account receivable	Ageing	Percentage of total receivables	Provision for bad and doubtful debts
Zhongya Pharmaceutical	Other related parties of the Company	2,589,936	Within 1 year	100%	601,610

2 Receivables under financing

Item	Note	2019	2018
Bills receivable	(1)	41,679,635	-
Total		41,679,635	-

(1) The pledged bills receivable of the Company at the end of the year

As at 31 December 2019, there was no pledged bills receivable (31 December 2018: Nil).

(2) Outstanding endorsed bills that have not matured at the end of the year

Item	Amount derecognised at year end
Bank acceptance bills	65,303,181
Total	65,303,181

As at 31 December 2019, bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB65,303,181 (31 December 2018: RMB94,755,124). The notes are used for payment to suppliers. The Company believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Company would undertake limited liability for the notes.

3 Other receivables

	Note	31 December 2019	31 December 2018
Interest receivable	(1)	90,355	254,088
Dividends receivable	(2)	200,000,000	500,000,000
Others	(3)	386,334,603	525,389,268
Total		586,424,958	1,025,643,356

(1) Interest receivable

(a) Interest receivable by category:

Item	31 December 2019	31 December 2018
Interest receivable on bank deposits	90,355	254,088
Total	90,355	254,088

(b) Significant overdue interest: N/A

(2) Dividends receivable

Item	31 December 2019	31 December 2018
Dividends to subsidiaries	200,000,000	500,000,000
Total	200,000,000	500,000,000

(3) Others

(a) Others by customer type:

Customer type	31 December 2019	31 December 2018
Amounts due from subsidiaries	385,328,319	523,579,831
Amounts due from related parties	813,440	813,440
Others	192,844	995,997
Sub-total	386,334,603	525,389,268
Less: Provision for bad and doubtful debts	-	-
Total	386,334,603	525,389,268

(b) The ageing analysis is as follows:

Ageing	2019	2018
Within 1 year (inclusive)	386,314,603	525,362,872
Over 1 year but within 2 years (inclusive)	-	26,396
Over 2 years but within 3 years (inclusive)	20,000	-
Sub-total	386,334,603	525,389,268
Less: Provision for bad and doubtful debts	-	-
Total	386,334,603	525,389,268

The ageing is counted starting from the date when other receivables are recognised.

(c) Others by method of provisioning

Category	2019					2018				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individual assessment										
- Total other receivables	-	-	-	-	-	525,389,268	100	-	-	525,389,268
Collective assessment										
- Amounts due from subsidiaries	385,328,319	99.7	-	-	385,328,319	523,579,831	99.7	-	-	523,579,831
- Amounts due from related parties	813,440	0.2	-	-	813,440	813,440	0.1	-	-	813,440
- Amounts due from third parties	192,844	0.1	-	-	192,844	995,997	0.2	-	-	995,997
Total	386,334,603	100.0	-	-	386,334,603	525,389,268	100	-	-	525,389,268

(d) Movements of provisions for bad and doubtful debts

As at 31 December 2019, no bad and doubtful debt provision was made for other receivables (31 December 2018: Nil).

As at 31 December 2019, the Company has no other receivables written off (31 December 2018: Nil).

(e) Others categorised by nature

Nature of other receivables	2019	2018
Amounts due from subsidiaries	385,328,319	523,579,831
Amounts due from related parties	813,440	813,440
Others	192,844	995,997
Sub-total	386,334,603	525,389,268
Less: Provision for bad and doubtful debts	-	-
Total	386,334,603	525,389,268

(f) Five largest others-by debtor at the end of the year

Debtor	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Sales Company	Amounts due from subsidiaries	292,380,248	Within 1 year	75.7%	-
R&D Centre	Amounts due from subsidiaries	65,016,104	Within 1 year	16.8%	-
Laizhou Sales	Amounts due from subsidiaries	12,469,834	Within 1 year	3.2%	-
Dicot	Amounts due from subsidiaries	3,692,043	Within 1 year	1.0%	-
AFIP	Amounts due from subsidiaries	1,680,926	Within 1 year	0.4%	-
Total		375,239,155		97.1%	

4 Long-term equity investments

(1) Long-term equity investments by category:

Item	2019			2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	7,432,422,621	-	7,432,422,621	7,420,803,069	-	7,420,803,069
Total	7,432,422,621	-	7,432,422,621	7,420,803,069	-	7,420,803,069

(2) Investments in subsidiaries:

Subsidiary	Balance at the beginning of the year	Additions during the year	Decrease during the year	Balance at the end of the year
Xinjiang Tianzhu	60,000,000	-	-	60,000,000
Kylin Packaging	23,176,063	-	-	23,176,063
Chateau Changyu	28,968,100	-	-	28,968,100
Pioneer International	3,500,000	-	-	3,500,000
Ningxia Growing	36,573,247	-	-	36,573,247
National Wines	2,000,000	-	-	2,000,000
Golden Icewine Valley	30,440,500	-	-	30,440,500
Chateau Beijing	579,910,000	8,479,444	-	588,389,444
Sales Company	7,200,000	-	-	7,200,000
Langfang Sales	100,000	-	-	100,000
Langfang Castel	19,835,730	-	-	19,835,730
Wine Sales	4,500,000	-	-	4,500,000
Shanghai Marketing	300,000	-	-	300,000
Beijing Sales	850,000	-	-	850,000
Jingyang Sales	100,000	-	-	100,000
Jingyang Wine	900,000	-	-	900,000
Ningxia Wine	222,309,388	-	-	222,309,388
Chateau Ningxia	453,463,500	-	-	453,463,500
Chateau Tinlot	212,039,586	-	-	212,039,586
Chateau Shihezi	812,019,770	-	-	812,019,770
Chateau Changan	803,892,258	-	-	803,892,258
R&D Centre	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
Dicot	190,150,544	-	-	190,150,544
Chile Indomita Wine Group	274,248,114	-	-	274,248,114
Australia Kilikanoon Estate	107,194,420	3,140,108	-	110,334,528
Total	7,420,803,069	11,619,552	-	7,432,422,621

For information about the subsidiaries of the Company, refer to Note VII.

5 *Operating income and operating costs*

Item	2019		2018	
	Income	Cost	Income	Cost
Principal activities	738,011,458	653,860,504	874,292,088	772,497,769
Other operating activities	2,844,904	1,643,559	2,154,982	1,989,262
Total	740,856,362	655,504,063	876,447,070	774,487,031

Details of operating income:

	2019	2018
Operating income from principal activities		
- Sale of goods	738,011,458	874,292,088
Sub-total	738,011,458	874,292,088
Income from other business		
- Rental income	2,844,904	2,154,982
Total	740,856,362	876,447,070

6 *Investment income*

Item	2019	2018
Income from long-term equity investments accounted for using cost method	621,620,723	964,128,659

7 *Transactions with related parties*(1) *Product procurement*

Related parties	Nature of transaction	2019	2018
Subsidiary of the parent company	Product procurement	161,271,826	209,808,816
Other related parties of the Company	Product procurement	60,154,605	88,897,126
Total		221,426,431	298,705,942

(2) *Sales of goods*

Related parties	Nature of transaction	2019	2018
Subsidiary of the parent company	Sales of goods	731,092,089	867,995,960
Other related parties of the Company	Sales of goods	9,764,273	8,451,110
Total		740,856,362	876,447,070

(3) Guarantee

The Company as the guarantor

Guarantee holder	Amount of guarantee	Inception date of guarantee	Maturity date of guarantee	Guarantee expired (Y/N)
R&D Centre	500,000,000	08 March 2017	08 March 2022	No
Australia Kilikanoon Estate	17,000,000	13 December 2018	13 December 2023	No
Total	517,000,000			

(4) Sale of fixed assets

Related parties of the Company	Nature of transaction	2019	2018
Subsidiary of the parent company	Sale of fixed assets	-	134,445
Total		-	134,445

(5) Interest income occupied by capital

Related parties	Nature of transaction	2019	2018
Subsidiary of the parent company	Interest income occupied by capital	-	35,823,556
Total		-	35,823,556

(6) Leases

(a) As the lessor

Name of lessee	Type of assets leased	Lease income recognised in 2019	Lease income recognised in 2018
Other related parties of the Company	Offices and plants	2,015,486	1,997,164
Total		2,015,486	1,997,164

(b) As the lessee

Name of lessor	Type of assets leased	Lease expense recognised in 2019	Lease expense recognised in 2018
Other related parties of the Company	Office buildings	1,394,762	1,331,364
Total	Office buildings	1,394,762	1,331,364

(8) Other related party transactions

Related parties	Nature of transaction	2019	2018
Changyu Group	Patent fee	-	50,000
Total		-	50,000

8 Receivables from and payables to related parties

Receivables from related parties

Item	Related party	2019		2018	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Other related parties of the Company	2,589,936	601,610	1,447,973	-
Other receivables	Subsidiary of the parent company	385,328,319	-	523,579,831	-
Other receivables	Other related parties of the Company	813,440	-	813,440	-
Other non-current assets	Subsidiary of the parent company	1,427,700,000	-	972,700,000	-

Payables to related parties

Item	Related party	2019	2018
Accounts payable	Other related parties of the Company	11,630,361	28,892,583
Other payables	Subsidiary of the parent company	381,487,360	585,044,038
Other payables	Other related parties of the Company	450,000	450,000

XVI. Non-recurring profit and loss statement in 2019

Item		Amount	Note
(1)	Profit and loss from disposal of non-current assets	6,272,676	Gain from disposal of equity investment of Mirefleurs is RMB 6,233,661.
(2)	Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	84,837,581	
(3)	Other items qualified as extraordinary gain and loss	218,649,636	Detail of royalty deducted in the previous years, see Note X. 5 (5) (a)
(4)	Other non-operating income and expenses besides items above	7,298,479	
	Sub-total	317,058,372	
(5)	Tax effect	(79,367,893)	
(6)	Effect on non-controlling interests after taxation	(30,661)	
	Total	237,659,818	

Note: Extraordinary gain and loss items (1) to (4) listed above are presented in the amount before taxation.

XVII. Return on net assets and earnings per share

In accordance with “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

2019

Profit for the reporting period	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company’s ordinary equity shareholders	11.30	1.65	1.65
Net profit excluding extraordinary gains and loss attributable to the Company’s ordinary equity shareholders	8.92	1.30	1.30

2018

Profit for the reporting period	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company’s ordinary equity shareholders	11.23	1.52	1.52
Net profit excluding extraordinary gains and loss attributable to the Company’s ordinary equity shareholders	10.40	1.41	1.41

XIII. Reference Documents

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

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

April 22nd, 2019