Anhui Gujing Distillery Company Limited

Annual Report 2019

April 2020

The Board of Directors (or the "Board"), the Supervisory Committee as well as the directors, supervisors and senior management of Anhui Gujing Distillery Company Limited (hereinafter referred to as the "Company") hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

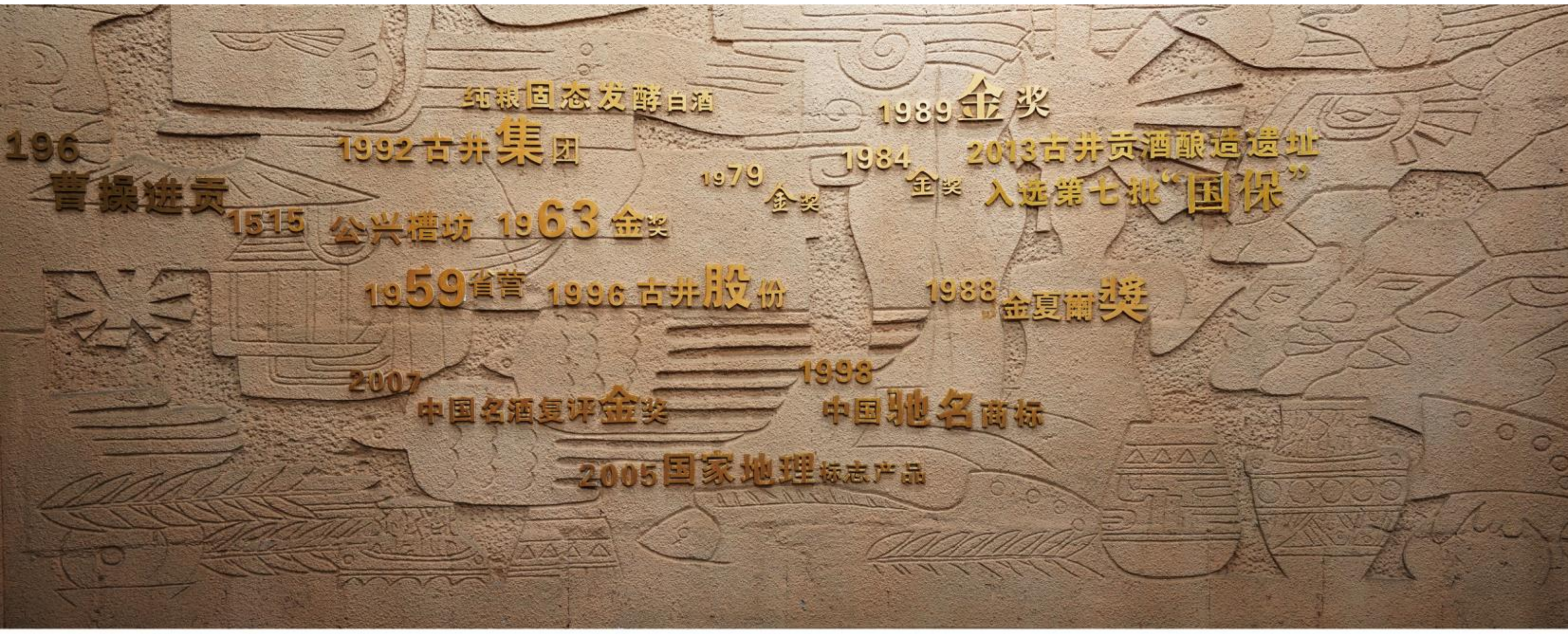
Liang Jinhui, the legal representative, Ye Changqing, the Chief Accountant, and Zhu Jiafeng, the head of the financial department (equivalent to financial manager) hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

All the Company's directors have attended the Board meeting for the review of this Report and its summary.

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

The Board has approved a final dividend plan as follows: based on the Company's total shares on 31 December 2019, a cash dividend of RMB15.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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



Definitions

Term	Definition
The “Company”, “ Gu Jing” or “we”	Anhui Gujing Distillery Company Limited inclusive of its consolidated subsidiaries, except where the context otherwise requires
The Company as the parent	Anhui Gujing Distillery Company Limited exclusive of subsidiaries, except where the context otherwise requires
Gujing Group	Anhui Gujing Group Co., Ltd.
Yellow Crane Tower	Yellow Crane Tower Distillery Co., Ltd.

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

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

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

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Ta Kung Pao (HK)
Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn

Place where this Report is lodged	The Board Secretary's Office

IV Change to Company Registered Information

Unified social credit code	913400001519400083
Change to principal activity of the Company since going public (if any)	No change
Every change of controlling shareholder since incorporation (if any)	No change

V Other Information

The independent audit firm hired by the Company:

Name	RSM China
Office address	Suite 901-22 to 901-26, Wai Jing Mao Building (Tower 1), No. 22 Fuchengmen Wai Street, Xicheng District, Beijing, China
Accountants writing signatures	Fu jinyong, Bao guangrong, Jiang jieyu

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

□ Yes √ No

	2019	2018	2019-over-2018 change (%)	2017
Operating revenue (RMB)	10,416,961,584.23	8,686,140,336.89	19.93%	6,968,325,048.55
Net profit attributable to the listed company's shareholders (RMB)	2,097,527,739.86	1,695,231,643.05	23.73%	1,148,740,644.93
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	1,891,097,157.37	1,638,204,454.34	15.44%	1,069,457,368.70
Net cash generated from/used in operating activities (RMB)	192,447,063.45	1,440,881,285.95	-86.64%	930,914,712.78
Basic earnings per share	4.17	3.37	23.74%	2.28

(RMB/share)				
Diluted earnings per share (RMB/share)	4.17	3.37	23.74%	2.28
Weighted average return on equity (%)	25.55%	24.03%	1.52%	19.09%
	31 December 2019	31 December 2018	Change of 31 December 2019 over 31 December 2018 (%)	31 December 2017
Total assets (RMB)	13,871,297,363.16	12,509,928,449.72	10.88%	10,152,862,119.05
Equity attributable to the listed company's shareholders (RMB)	8,944,111,764.44	7,601,984,024.58	17.65%	6,459,078,378.38

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

□ Applicable √ Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

□ Applicable √ Not applicable

No difference for the Reporting Period.

3. Reasons for Accounting Data Differences Above

□ Applicable √ Not applicable

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	3,668,502,474.92	2,319,610,524.17	2,214,767,350.88	2,214,081,234.26
Net profit attributable to the listed company's shareholders	783,389,904.73	464,926,409.28	493,294,846.62	355,916,579.23
Net profit attributable to the listed company's shareholders before exceptional gains and losses	749,094,364.21	416,776,614.89	444,504,344.99	280,721,833.28

Net cash generated from/used in operating activities	1,010,701,440.91	31,032,307.92	1,199,637,755.93	-2,048,924,441.31

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

□ Yes √ No

IX Exceptional Gains and Losses

√ Applicable □ Not applicable

Unit: RMB

Item	2019	2018	2017	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-7,615,741.56	-10,060,019.55	-10,659,063.45	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	98,293,177.32	36,041,674.45	34,257,968.39	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	144,234,319.52	18,653,228.80	54,544,637.44	
Reversed portion of impairment allowance for accounts receivable which are tested individually for impairment	0.00	0.00	491,989.18	
Non-operating income and expense other than the above	57,215,092.96	32,375,890.89	27,140,455.30	
Less: Income tax effects	71,418,613.38	18,150,068.72	25,366,619.70	
Non-controlling interests effects (net of tax)	14,277,652.37	1,833,517.16	1,126,090.93	
Total	206,430,582.49	57,027,188.71	79,283,276.23	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

□ Applicable √ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

The Company primarily produces and markets liquor and spirits.

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

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

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Not applicable.

2. Major Assets Overseas

□ Applicable √ Not applicable

III Core Competitiveness Analysis

No material changes occurred to the Company's core competitiveness in the Reporting Period.

Part IV Management Discussion and Analysis

I Overview

In 2019, under the guidance of the spirit of the 19th National Congress of the Communist Party of China and President Xi Jinping's thought on socialism with Chinese characteristics for a new era, the Company further implemented various guidelines and policies. Upholding the values of "Be Honest, Offer Quality Spirits, Be Stronger and Be Helpful to the Society", the Company beefed up the implementation of the new strategy of "Digitalization, Internationalization, and Stricter Compliance with Law and Regulations", as well as promoted the "Nie Guangrong Spirit". It further improved corporate management, motivated employees, accelerated transformation and upgrading, further implemented the "Distilled Spirits 5.0" strategy, and successfully achieved all the operating objectives.

For 2019, the Company recorded operating revenue of RMB 10.417 billion, up 19.93% compared to 2018; a net profit attributable to the Company as the parent of RMB 2.098 billion, rising 23.73% from the year earlier; earnings per share of RMB4.17, 23.74% higher than 2018; and net cash generated from operating activities of RMB192 million, going down 86.64% on a year-on-year basis （primarily driven by considerable increases in structured and term deposits that are not drawable in advance, as well as term deposits put in pledge for the issuance of notes payable. Exclusive of the effects of the aforesaid factors, net cash generated from operating activities stood at RMB1.997 billion）. Meanwhile, the brand value reached a new high of RMB146.98 billion.

The Company's Overall Operation During the Reporting Period

1. Strengthen market construction to continuously rise the brand influence

By strengthening the market construction, the Company further enhanced the organization-driven. Focused on systemic competition, the Company established a new marketing mechanism of upstream-downstream linkage, information exchange, quick response, and overall coordination. The brand construction has been strengthened to gradually increase brand influence.

2. Accelerate the transformation of the Company and continuously improve the management

The Company stands firmly on Strategy 5.0 and promotes the depth of digital transformation. During the Reporting Period, the digital marketing, Gujing SAP ERP and CRM projects were completed, and at the same time, these projects were successfully switched online. The digital operation structure system with digital marketing (CRM) in the front line and SAP ERP as the main channel in the backstage has been completed to lay a foundation for a new digital Gujing.

3. Stably optimize quality control and boost the application of scientific research transformation

The Company strengthened the management of production process, established a sound quality control system and standard, optimized the inspection project of raw and auxiliary materials into the factory, standardized inspection standards and inspection operations, improved supply efficiency, and avoided behavioral risks. The Company's two technological innovation achievements have reached the international leading level, one scientific achievement has reached the domestic leading level, one scientific achievement has won a prize awarded by China Light Industry Council, one has won the third prize of Provincial Science and Technology Award, and two scientific research achievements have been transformed within the company. Gujing Distillery Product Design Center was recognized by the "National Industrial Design Center" and "China Light Industry Engineering Technology Research Center".

4. In-depth collaboration between production and sales ensures a prominent effect of balanced production

The Company implemented a coordinate mechanism between production and sales to continuously improve production efficiency and supply satisfaction. A logistics system and a planting model with high-quality raw grain base have been built to ensure the quality of raw materials and reduce supply risks.

5. Strictly abide by the bottom line of environmental protection and constantly improve the environmental protection infrastructure

The Company continued to increase investment in environmental protection, and achieved the "Four Goals" for safe production throughout 2019. The Company's main pollutant indicators for environmental protection was stable and reached the standard, which effectively controlled the energy loss rate and equipment failure rate. In the whole year, all the main environmental pollution discharge pollutants met the standard, and no environmental pollution accidents occurred. The company was successfully selected into the "National Green Factory" list.

6. Adhere to the guidance of the Party building and promote the "Nie Guangrong Spirit"

The Company implemented an in-depth educational activity on the theme of "Remain true to our original aspiration and keep our mission firmly in mind". According to the arrangement of the Central Committee, the Provincial Party Committee and the Municipal Party Committee, the Company resolutely follows the main line of learning and implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. Focused on the general requirements of "remain true, fulfill the Mission, find the reasons of falling behind, and emphasize the implementation", the Company spared no effort to study and education, investigation and research, inspection of problems, rectification and implementation throughout the entire process and yielded prominent fruits. During this period, the Company held a grand activity "Report on Comrade Nie Guangrong's Advanced Deeds" in the Great Hall of the People in Beijing, making "Nie Guangrong Spirit" well spread and promoted.

7. During the Reporting Period, the Company still had the following pressures and inadequacies

(1) The complex macroeconomic environment has brought many uncertainties to the development of the liquor industry.
(2) The level of lean management of the Company falls behind the pace of the Company's development.
(3) The system, mechanism and the vitality of the Company need to be further activated.
(4) Bold innovation is required in cultivating talents, inspiring talents, and retaining talents by system.

II Core Business Analysis

1. Overview

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

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2019		2018		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	10,416,961,584.23	100.00%	8,686,140,336.89	100.00%	19.93%
By operating division					
Manufacturing	10,416,961,584.23	100.00%	8,686,140,336.89	100.00%	19.93%
By product category					
Distilled spirits	10,164,144,471.76	97.57%	8,519,862,666.82	98.09%	19.30%
Hotel services	88,659,455.17	0.85%	86,807,124.18	1.00%	2.13%
Other	164,157,657.30	1.58%	79,470,545.89	0.91%	106.56%
By operating segment					

North China	557,017,590.00	5.35%	436,508,213.35	5.03%	27.61%
Central China	9,326,923,639.55	89.53%	7,867,207,092.57	90.57%	18.55%
South China	520,685,208.39	5.00%	367,741,836.37	4.23%	41.59%
Overseas	12,335,146.29	0.12%	14,683,194.60	0.17%	-15.99%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Manufacturing	10,416,961,584.23	2,426,046,924.89	76.71%	19.93%	25.57%	-1.05%
By product category						
Distilled spirits	10,164,144,471.76	2,257,907,919.10	77.79%	19.30%	20.63%	-0.24%
Hotel services	88,659,455.17	39,765,568.71	55.15%	2.13%	3.52%	-0.60%
Other	164,157,657.30	128,373,437.08	21.80%	106.56%	485.97%	-50.63%
By operating segment						
North China	557,017,590.00	184,315,816.75	66.91%	27.61%	13.39%	4.15%
Central China	9,326,923,639.55	2,065,495,633.99	77.85%	18.55%	25.34%	-1.20%
South China	520,685,208.39	170,592,892.09	67.24%	41.59%	46.96%	-1.19%
Overseas	12,335,146.29	5,642,582.06	54.26%	-15.99%	1.88%	-8.02%

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

□ Applicable √ Not applicable

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

√ Yes □ No

Operating division	Item	Unit	2019	2018	Change (%)
Distilled spirits brewage	Sales volume	Ton	90,318.85	82,818.70	9.06%
	Output	Ton	93,798.87	83,254.25	12.67%
	Inventory	Ton	13,987.83	10,507.81	33.12%

Any over 30% YoY movements in the data above and why:

√□ Applicable □ Not applicable

The ending balance of inventory is 13987.83 tons, an increase of 33.12% compared with last year, which is mainly due to the increase of inventory for Spring Festival.

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

□ Applicable √ Not applicable

(5) Breakdown of Cost of Sales

By operating division

Unit: RMB

Operating division	Item	2019		2018		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Food manufacturing	Direct materials	1,807,661,503.73	74.51%	1,465,613,415.05	75.86%	23.34%
Food manufacturing	Direct labor cost	214,328,787.10	8.83%	183,657,819.79	9.51%	16.70%
Food manufacturing	Manufacturing expenses	147,018,800.80	6.06%	134,698,484.31	6.97%	9.15%
Food manufacturing	Fuels	88,898,827.47	3.66%	87,773,829.59	4.54%	1.28%

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

√Yes □ No

Hubei Huanghelou Beverage Co., Ltd. was newly established this year.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

□ Applicable √ Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	1,883,372,178.17
Total sales to top five customers as % of total sales of the Reporting Period (%)	18.08%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)

1	Customer A	749,884,238.55	7.20%
2	Customer B	577,850,797.92	5.54%
3	Customer C	204,809,138.19	1.97%
4	Customer D	177,370,278.21	1.70%
5	Customer E	173,457,725.30	1.67%
Total	--	1,883,372,178.17	18.08%

Other information about major customers:

□ Applicable √ Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	691,819,821.13
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	27.73%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	273,330,053.07	10.96%
2	Supplier B	175,259,289.50	7.02%
3	Supplier C	104,833,589.08	4.20%
4	Supplier D	72,811,249.30	2.92%
5	Supplier E	65,585,640.18	2.63%
Total	--	691,819,821.13	27.73%

Other information about major suppliers:

□ Applicable √ Not applicable

3. Expense

Unit: RMB

	2019	2018	Change (%)	Reason for any significant change
Selling expense	3,184,894,221.10	2,682,535,305.26	18.73%	
Administrative expense	685,280,546.45	644,997,046.65	6.25%	
Finance costs	-97,625,803.51	-51,572,629.73	-89.30%	The main reason is the increase of interest income.
R&D expense	42,373,017.33	23,966,766.04	76.80%	The main reason is the increase of R & D investment in this year.

4. R&D Expense

√ Applicable □ Not applicable

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

R&D Achievements of the Company: The Company's two technological innovation achievements have reached the international leading level, one scientific achievement has reached the domestic leading level, one scientific achievement has won a prize awarded by China Light Industry Council, one has won the third prize of Provincial Science and Technology Award, and two scientific research achievements have been transformed within the company. The Key Technology for Ecological Cave Brewing and Base Liquor Quality Improvement of Yellow Crane Tower won the first prize of Science and Technology Award of China National Food Industry Association. Yellow Crane Tower Xianning Testing Center obtained the National Laboratory Accreditation Certificate which is issued by China National Accreditation Service for Conformity Assessment (CNAS). Since 2019, the Company has licensed 115 patents.

Details about R&D expense:

	2019	2018	Change (%)
Number of R&D personnel	938	968	-3.10%
R&D personnel as % of total employees	9.69%	11.63%	-1.94%
R&D expense (RMB)	269,107,374.89	224,585,370.62	19.82%
R&D expense as % of operating revenue	2.58%	2.59%	-0.01%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

5. Cash Flows

Unit: RMB

Item	2019	2018	Change (%)
Subtotal of cash generated from operating activities	12,080,069,939.92	9,950,615,569.29	21.40%
Subtotal of cash used in operating activities	11,887,622,876.47	8,509,734,283.34	39.69%
Net cash generated from/used in operating activities	192,447,063.45	1,440,881,285.95	-86.64%
Subtotal of cash generated from investing activities	4,138,301,120.12	3,530,649,713.30	17.21%
Subtotal of cash used in investing activities	1,466,159,130.60	4,656,442,207.19	-68.51%

Net cash generated from/used in investing activities	2,672,141,989.52	-1,125,792,493.89	337.36%
Subtotal of cash generated from financing activities	755,400,000.00	503,616,553.34	50.00%
Subtotal of cash used in financing activities	-755,400,000.00	-503,616,553.34	-50.00%
Net cash generated from/used in financing activities	2,109,189,052.97	-188,527,761.28	1,218.77%

Explanation of why any of the data above varies significantly:

√ Applicable □ Not applicable

(1) Net cash generated from operating activities stood at RMB192,447,063.45 in the Reporting Period, down 86.64% year-on-year, primarily driven by considerable increases in structured and term deposits that are not drawable in advance, as well as term deposits put in pledge for the issuance of notes payable. Exclusive of the effects of the aforesaid factors, net cash generated from operating activities stood at RMB1.997 billion.

(2) Net cash generated from investing activities stood at RMB2,672,141,989.52 in the Reporting Period, up 337.36% year-on-year, primarily driven by an increase in cash proceeds from disinvestment.

(3) Net cash generated from financing activities stood at RMB-755,400,000.00 in the Reporting Period, down 50.00% year-on-year, primarily driven by an increase in dividends distributed.

(4) Net increase in cash and cash equivalents stood at RMB2,109,189,052.97 in the Reporting Period, up 1,218.77% year-on-year, primarily driven by the recovery of investments upon maturity.

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

□ Applicable √ Not applicable

III Analysis of Non-Core Businesses

□ Applicable √ Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2019		31 December 2018		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	5,619,749,918.09	40.51%	1,705,760,865.12	13.64%	26.87%	
Accounts receivable	40,776,567.96	0.29%	29,748,068.74	0.24%	0.05%	
Inventories	3,015,051,961.78	21.74%	2,407,306,664.86	19.24%	2.50%	
Investment property	4,710,086.02	0.03%	5,027,228.53	0.04%	-0.01%	

Long-term equity investments	4,678,282.24	0.03%	4,900,000.00	0.04%	-0.01%	
Fixed assets	1,722,572,998.79	12.42%	1,763,988,530.56	14.10%	-1.68%	
Construction in progress	183,984,816.07	1.33%	93,320,557.56	0.75%	0.58%	

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount
Financial assets								
1. Financial assets at fair value through profit or loss (excluding derivative financial assets)	2,965,016,000.42	17,585,151.48	0.00	0.00	1,053,830,000.00	3,527,400,054.88	0.00	509,031,097.02
Subtotal of financial assets	2,965,016,000.42	17,585,151.48	0.00	0.00	1,053,830,000.00	3,527,400,054.88	0.00	509,031,097.02
Total of the above	2,965,016,000.42	17,585,151.48	0.00	0.00	1,053,830,000.00	3,527,400,054.88	0.00	509,031,097.02
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00		0.00

Significant changes to the measurement attributes of the major assets in the Reporting Period:

□ Yes √ No

3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value (RMB)	Reason for restriction
Bank deposits	2,675,000,000.00	Structured deposits and time deposits that

Item	Ending carrying value (RMB)	Reason for restriction
		cannot be withdrawn in advance and time deposits that are pledged for issuing bank acceptance drafts
Notes receivable	349,377,134.82	A pledge is used to issue a banker's acceptance draft
Total	3,024,377,134.82	

V Investments Made

1. Total Investment Amount

□ Applicable √ Not applicable

2. Major Equity Investments Made in the Reporting Period

□ Applicable √ Not applicable

3. Major Non-Equity Investments Ongoing in the Reporting Period

□ Applicable √ Not applicable

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement model	Beginning carrying value	Gain/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying value	Accounting title	Source of funds
Fund		ZXYSDP 1st Assets Management Plan	200,000,000.00	Fair value method	206,393,107.46	5,491,397.78	0.00	0.00	0.00	15,000,000.00	211,884,505.24	Available-for-sale financial asset	Self-owned funds

Other ending holding securities investments		--								--	--
Total	200,000,000.00	--	206,393,107.46	5,491,397.78	0.00	0.00	0.00	15,000,000.00	211,884,505.24	--	--
Disclosure date of the announcement about the board's consent for the securities investment	The Company held the 9th Meeting of the 8th Board of Directors on 26 April 2019, reviewed and approved the proposal on carrying out securities investment business										
Disclosure date of the announcement about the general meeting's consent for the securities investment (if any)	N/A										

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Operator	Relationship with the Company	Connected transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Reverse repurchase of national	Naught	No	Reverse repurchase of national debt	0.00	28 December 2018	30 June 2019	17,990	1,090	19,080	0.00	0.00	0.00%	0.35

debt													
Total				0.00	--	--	17,990	1,090	19,080	0.00	0.00	0.00%	0.35
Capital source for derivative investment				Company’s own funds									
Lawsuits involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				30 August 2013									
Disclosure date of shareholders’ meeting announcement approving derivative investment (if any)													
Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				The Company had controlled the relevant risks strictly according to the Derivatives Investment Management System.									
Changes in market prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)				Naught									
Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period				Naught									
Opinion of independent directors on derivative investments and risk control				Based on the sustainable development of the main business and the sufficient free idle money, the Company increased the profits through investing in the reasonable financial derivative instruments, which was in favor of improving the service efficiency of the idle funds; in order to reduce the investment risks of the financial derivative instruments, the Company had set up corresponding supervision mechanism for the financial derivative instrument business and formulated reasonable accounting policy as well as specific principles of financial accounting; the derivative Investment business developed separately took national debts as mortgage object, which was met with the cautious and steady risks management principle and the interest of the Company and shareholders. Therefore, agreed the									

	Company to develop the derivative Investment business of reverse repurchase of national debt not more than the limit of RMB0.3 billion.

5. Use of Funds Raised

□ Applicable √ Not applicable

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

□ Applicable √ Not applicable

VII Major Subsidiaries

√ Applicable □ Not applicable

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Bozhou Gujing Sales	Subsidiary	Wholesales of distilled	84,864,497.89	2,987,262,154.57	114,267,236.43	9,408,967,287.45	918,498,076.90	684,310,878.29

Co., Ltd		spirit, construction materials, feeds and assistant materials						
Anhui Longrui Glass Co., Ltd	Subsidiary	Manufacture and sale of glass products	86,660,268.98	334,367,483.96	283,457,347.19	263,211,742.36	47,521,309.38	40,366,861.19
Yellow Crane Tower Wine Industry Co., Ltd	Subsidiary	Production and sales of distilled spirit	400,000,000.00	1,113,378,476.47	707,788,358.44	1,153,666,330.72	166,767,019.61	128,603,665.60
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	Subsidiary	Hotel management and house lease	54,000,000.00	197,339,647.17	77,032,345.33	78,097,168.09	18,396,718.11	10,829,628.99

Subsidiaries obtained or disposed in the Reporting Period:

√Applicable □Not applicable

The name of the company	Acquisition and disposal of subsidiaries during the reporting period	The impact on the overall production operation and performance
Hubei yellow crane tower beverage co. LTD	Set up	Optimize the internal management structure and enhance the internal driving force.

VIII Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

IX Prospects

(I) Development Prospect of the Industry the Company is in

1. The epidemic of COVID-19 has accelerated industry reshuffle to make it more concentrated

As a strong pressure test for the liquor industry, theCOVID-19has disturbed the liquor industry in the short term, but the overall stable trend of the industry remains unchanged. Liquor companies have periodical operating pressure. In the first half of the year, they mainly focused on digesting market inventory, while in the second half of the year, with further differentiation and declined frequency of alcohol consumption, famous liquor brands will speed up their recovery. The industry's concentration will be further improved to rapidly eliminate inferior capacity.

2. Continuous innovation in marketing model with integrated development of online and offline channels

The non-contact impact of the epidemic of COVID-19 has caused an outbreak of online Cloud Economy. Liquor manufacturers have exposed their shortcomings of traditional offline channels. The importance and convenience of online channel sales stand out. After the epidemic, a situation where offline and online promotions converge will appear, and the trend of online and offline integration development will become more and more apparent. Online social e-commerce and the emerging "Cloud after-work drinks" will become a new growth point; and new methods will be adopted for traditional offline sales channels to empower and endow new meanings of the era. The wave of "community block sales" in the liquor industry is coming soon.

3. Quality strategy is prominent with the upcoming of the era of healthy consumption

Health and health-nurturing practices are green consumption and the trend of the liquor industry. Healthy drinking has become a consumption concept. The trend of "drink less and drink better" is more prominent. Consumers demand for health is increasing. They pay more attention to brand and quality. In pursuit of the concept of quality consumption, the strategy of dumb-type large single product will become the standard of famous liquor. The volume of high-end and sub-high-end products will be further increased, and high-quality light bottle liquor and small liquor are also popular because of their high quality-price ratio and rich self-drinking and group-drinking scenes.

(II) Development Strategy of the Company

1. Firmly boost "Strategy 5.0, Five-Star Operation" Strategy

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

2. Firmly boost reform and innovation strategy

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

3. Firmly create "Talent Highland" strategy

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

4. Firmly boost the strategy of integration of Party governance

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

(III) Operating Revenue Plan of the Company in 2020

In 2020, the Company plans to achieve an operating revenue of RMB11.6 billion, rising 11.36% compared with that of last year; and achieve a total profit of RMB2.99 billion, rising4.08% compared with that of last year.

(IV) Operating Risk of the Company

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

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

3. Impact of epidemic of COVID-19 on the comsumption behaviors and habits.

(V) Operating Measures

1. Marketing

In order to enhance the balance of the market, the Company has cemented the base of its headquarter; continued to better its investment attraction in peripheral markets; further optimized product structure and the proportion of medium and high-end products, and accelerated the nationalization of Gujinggong Liquor. As for brand construction, the Company continued to actively participate in empowering the country by brand projects, adhered to the IP of brand communication, and increased domestic and foreign promotion efforts. Through further optimizing dealer development policies, the Company strengthened dealer access, enlarged its business networks and made it stronger by developing channels.

2. Product Management

The Company strictly implemented the production process, concentrated on the source control; paid great attention to the process management and key linkage of production, strictly performed the standardization of work, strengthened technical quality work. It continued to strengthen strict management of specific quality inspections, further improved the quality management system, focused on process control to ensure that every bottle of Gujing that goes on the consumer’s table is of good quality.

3. Engineering Construction

The Company accelerated the planning design and phased construction of the smart technology transformation project (smart park) for liquor production, prepared its fund planning and financing work, and adhered to high standards and high quality to promote the construction of smart park projects.

4. Informatization Construction

The Company which took informatization into its whole management system and centered on SAP ERP system and digital marketing project, actively pushed the second phase construction of the digital marketing project. By enhancing its data management, strengthening data application empowerment, establishing smart management corporate and setting up an integrated corporate management platform, the Company has achieved a concentrated control and operation to promote process standardization, data visualization, and management standardization, and support its business innovation and development.

5. Human Resource

Based on the demands of the Company’s strategic development, the Company continuously optimized the channels for talents introduction, further improved talent structure and salary structure; strengthened the orientation of performance appraisal, continuously innovated performance management model; incessantly cemented talent echelon construction, conducted talent training and cultivation in a comprehensive, multidimensional and targeted way.

6. Internal Management

The Company deeply carried out the “four revolutions” (ideological revolution, organizational revolution, behavioral revolution, management revolution), and solidly implemented the “five goals and six projects”; adhered to the “four betters” orientation (better positioning, better process, better state, better management), established the consciousness for the better, work hard on the word "better". Through transforming strict management into normalcy, the Company strengthened the ideological education of employees, focused on management innovation, employed innovative thinking, made full use of new methods and tools to break the inertial work mode, prevent aging mentality and old-fashioned manage, comprehensively improve work efficiency, and stimulate creative organizations.

7. Corporate Culture Construction

The Company should continue to strengthen the leadership team's construction, temper the core team of "loyalty and cleanness"; continue to carry out warning education on integrity, and further build an ideological line of defense against corruption; continue to rectify formalism, bureaucracy, and "laziness, randomness, fatigue, glibness and complacency" and dogmatism, cultivate pragmatic and rigorous work style of cadres and employees; continue to strengthen ideological and political work, maintain the main position of cultural propaganda and ideological work; continue to strengthen the leadership of Party building, and gather the strong power of the revolution. At the same time, the Company needs to focus on the construction of civilization practice center for a new era and cultural communication base of Gujing contribution, promote the "Nie Guangrong Spirit" to the entire industry, and further deepen the Gujing corporate culture.

In 2020, the Company will continue to thoroughly implement the spirit of the 19th National Congress of the Party and the Second, Third, and Fourth Plenary Sessions of the 19th CPC Central Committee. Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company remains true to the original aspiration and remembers its mission. Under the strong leadership of Bozhou municipal government and Bozhou Municipal Committee, the Company has fully implemented the core values of socialism and upholding the values of "Be Honest, Offer Quality Liquor, Be Stronger and Be Helpful to the Society", and the spirit of Nie Guangrong and the consciousness of better products. With a long-term vision and a strong focus, the Company will promote the implementation of Strategy 5.0 in depth, earnestly implement the "four betters" working method, and strive to move towards "a new Gujing of digitalization, internationalization, and rule of law."

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

□ Applicable √ Not applicable

Part V Significant Events

I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, for ordinary shareholders was formulated, executed or revised in the Reporting Period:

√ Applicable □ Not applicable

The 2018 Annual General Meeting held on 20 May 2019 reviewed and approved the Company's Interest Distribution Scheme in 2018 that based on the total shares of 503,600,000 of the Company on 31 December 2018, cash dividends was distributed at RMB15.00 per 10 shares (tax inclusive), and the total cash dividends distributed was RMB755,400,000.00 (tax inclusive).

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	No adjustments or changes

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

1. 2017 profit distribution plan of the Company: distribute the cash of RMB10.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves;

2. 2018 profit distribution plan of the Company: distribute the cash of RMB15.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves.

3. 2019 profit distribution plan of the Company: distribute the cash of RMB15.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves.

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)

		statements for the year (B)					
2019	755,400,000.00	2,097,527,739.86	36.01%	0.00	0.00%	755,400,000.00	36.01%
2018	755,400,000.00	1,695,231,643.05	44.56%	0.00	0.00%	755,400,000.00	44.56%
2017	503,600,000.00	1,148,740,644.93	43.84%	0.00	0.00%	503,600,000.00	43.84%

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

□ Applicable √ Not applicable

II Final Dividend Plan for the Reporting Period

√ Applicable □ Not applicable

Bonus issue from capital reserves for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	15.00
Bonus issue from profit for every 10 shares (share)	0
Total shares as the basis for the final dividend plan (share)	503,600,000
Total cash dividends (RMB) (tax inclusive)	755,400,000.00
Cash dividends in other ways (such as share repurchase) (RMB)	0.00
Total cash bonus (including other methods) (RMB)	755,400,000.00
Distributable profits (RMB)	6,397,131,020.62
Percentage of cash dividends to the total distributed profits	100%
Particulars about the cash dividends	
other	
Details of final dividend plan for the Reporting Period	
The company intends to distribute rmb15 (tax included) per 10 shares based on the total number of shares at the end of the year, totaling rmb755,400,000.00. This year does not send bonus, does not transfer to increase capital stock with accumulation fund.	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

√ Applicable □ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in acquisition documents or shareholding alteration documents	Anhui Gujing Distillery Company Limited	Performance commitment	The Company promised that Yellow Crane Tower Distillery Co., Ltd. would realize the operating revenue of RMB1, 308.125 million (tax inclusive) and the net profit margin would be not lower than 11.00% in 2019.	29 April 2016	Y2017-Y2021	Fulfilled in 2019
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A					

In accordance with the share transfer agreement signed by the Company with Wuhan Pride Investment Group Co., Ltd. and the natural person Yan Hongye on the acquisition of Yellow Crane Tower Distillery Co., Ltd. (hereinafter referred to as “Yellow Crane Tower Distillery”), the Company promised that the operating revenue (tax inclusive) of Yellow Crane Tower Distillery would reach the following data:

Unit: RMB’0,000

Period	Y2017	Y2018	Y2019	Y2020	Y2021
Committed operating revenue (tax inclusive)	80,500.00	100,625.00	130,812.50	170,056.25	204,067.50

Meanwhile, within five years since the delivery date (excluding the year in which the delivery date of target equity is located), the net profit margin (net profit/operating revenue) of Yellow Crane Tower Distillery for each year shall be not lower than 11.00%. If the audited net profit margin of Yellow Crane Tower Distillery for each year is lower than 11.00%, the Company should compensate the balance as required by the agreement; if the net profit margin of Yellow Crane Tower Distillery is lower than 11.00% for consecutive two years, the transferee has the right to repurchase all shares of Yellow Crane Tower Distillery held by the Company with the price of RMB816 million.

The realization of commitment on performance in the single statement of Yellow Crane Tower Distillery in 2019 is as follows:

Unit: RMB’0,000

Item	Actual amount	Promised amount	Difference	Completion rate
Operating revenue (tax inclusive)	131,006.46	130,812.50	193.96	100.15%
Net profit	12,860.37	12,298.61	561.76	104.57%
Net profit ratio	11.15%	11.00%	0.15%	101.36%

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

□ Applicable √ Not applicable

IV Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

□ Applicable √ Not applicable

No such cases in the Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

□ Applicable √ Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

√ Applicable □ Not applicable

Contents and reasons	Approval procedures	Notes
The Ministry of Finance issued Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments (CK [2017] No. 7), Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets (CK [2017] No. 8), Accounting Standards for Business Enterprises No.24-Hedge Accounting (CK [2017] No. 9) and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instrument (CK [2017] No. 14). The Company started to implement the abovementioned new standards from 1	Reviewed and approved on the 9th Meeting of the 8th Board of Directors and the 8th Meeting of the 8th Supervisory Committee	Refer to Announcement on Changes in Accounting Policy on http://www.cninfo.com.cn disclosed on the same date for details.

January 2019. According to the above requirements, the Company implemented the above new standards governing financial instrument from 1 January 2019, and changed relevant accounting polices in line with the stipulations of the above new standards governing financial instrument. In accordance with the relevant requirements of new standard governing financial instrument, the retroactive adjustment was not conducted to the same period of last year, and no impact the changes of accounting policies will occur to the financial situation and operating results in the prior period.		
On 30 April 2019, Notes of Revising and Printing the Format of 2019 General Enterprises Financial Statement (CK [2019] No. 6) (hereinafter referred to as "Notes of Revising") was issued by the Ministry of Finance, making partial amendments to the format of general enterprises financial statements, stipulated that the format is applicable to the interim and annual financial statements in and after 2019 of non-financial business executing ASBE and the regulations of Notes of Revising. The Company belongs to the enterprise executed the new standards governing financial instrument but not new standards governing revenue and leases, and shall adjust correspondingly to the format of financial statements and part of course presentation combined with the requirements of Notes of Revising.	Reviewed and approved on the 10th Meeting of the 8th Board of Directors and the 9th Meeting of the 8th Supervisory Committee	Refer to Announcement on Changes in Accounting Policy on http://www.cninfo.com.cn disclosed on the same date for details.

VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

√Applicable □ Not applicable

Name of subsidiary	Principal place of business	registered	Nature of the business	stake（%）		Make way
				directly	indirect	
Hubei Yellow Crane Tower beverage co. LTD	Hubei xianning	Hubei xianning	Production and manufacturing		51.00	Hubei Yellow Crane Tower beverage co. LTD

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	RSM Certified Public Accountants (LLP)
The Company's payment to the domestic independent auditor (RMB'0,000)	155
How many consecutive years the domestic independent auditor has provided audit service for the Company	1
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Fu jinyong, Bao guangrong, Jiang jieyu
How many consecutive years the certified public accountants have provided audit service for the Company	1

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

√Yes □ No

Indicate by tick mark whether the independent auditor was changed for the audit period.

□Yes √ No

Indicate by tick mark whether the approval procedure was fulfilled to change independent auditor.

√Yes □ No

Particulars of reappointment and changes of independent auditor

Refer to announcement on changes of independent auditor on http://www.cninfo.com.cn disclosed on 28 November 2019 for details.

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

√ Applicable □ Not applicable

The Company engaged RSM Certified Public Accountants (LLP) as the internal control auditor in 2019.

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

□ Applicable √ Not applicable

XI Insolvency and Reorganization

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII Punishments and Rectifications

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIV Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

□ Applicable √ Not applicable

XV Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVI Major Related-Party Transactions

1. Continuing Related-Party Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Other Major Related-Party Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(3) Leases

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

√ Applicable □ Not applicable

Overview of cash entrusted for wealth management during the Reporting Period

Unit: RMB’0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue unrecovered amount

Trust financial products	Self-owned funds	30,000.00	0.00	0.00
Bank financial products	Self-owned funds	295,600.00	28,517.00	0.00
Broker financial products	Self-owned funds	0.00	0.00	0.00
Others	Self-owned funds	20,000.00	20,000.00	0.00
Total		345,600.00	48,517.00	0.00

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

Unit: RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Capital resource	Start date	End date	Use of fund	Determination method of remuneration	Annual yield for reference	Estimate profit (if any)	Amount of actual profit or loss in Reporting Period	Actual recovery of profit or loss in Reporting Period	Allowance for impairment (if any)	Legal procedures or not	Plan for entrusted asset management in the future or not	Overviews of events and query index (if any
CITIC Wings Asset Management Company Limited	Limited Liability Company	Fund	20,000	Self-owned funds			Purchasing new shares offline, products with fixed earnings, reverse repurchase of national debt, and etc.	1.2% of products' net value and 20% of excess earnings	7.00%		1,500.00	N/A		Yes	Yes	
Total			20,000	--	--	--	--	--	--		1,500.00	--		--	--	--

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

□ Applicable √ Not applicable

(2) Entrusted Loans

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

The Company disclosed Social Responsibilities Report of Enterprises for 2019 on 27 April 2020. (for details, see http://www.cninfo.com.cn)

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

In accordance with the "organizations are responsible for villages and individuals are responsible for families" poverty alleviation work arrangement of Bozhou Municipal Party Committee, the Company has established targeted support towards 178 poor families with 306 people in Bali Village, Yanglou Village and Wuma Village, Wuma Town, Qiaocheng District, Bozhou, which have been lifted out of poverty by the joint efforts of people in charge of poverty alleviation and three assistance and support villages as of the end of December 2019.

(2) Summary of the Related Work Done in the Reporting Period

① The Company visited and helped 178 poor households. By uniformly purchasing 178 Chinese New Year gifts, the Company arranged 90 persons in charge of assistance to send the gifts to the 178 poor households. The gifts were not only confined to rice, spring couplets, festive liquor, lotus root and lotus root juice, but also including a sincere New Year blessing;

② The Company carried out the "Warm the Young with Love, Help the Young Realize Their Dreams" activity to care for young people with difficulties. The Gujing Group Labor Union and the Youth League Committee respectively went to the three administrative villages (Yanglou, Bali, and Wuma) in Wuma Town, and collected the "small wishes" of the poor young teenagers. And on 25 January 2019, they sent coats, school bags and "love gift packages" to help teenagers to "realize their dream", and sent blessing and encouraged them to grow up healthily;

③ The Company organized activities to listen to the story of "initial intention" and ignited the dreams of the "the Young". In order to further implement the spirit of General Secretary Xi's important speech at the educational work conference on the theme of "remain true and remember mission", and to firmly grasp the general ideas of the Communists to remain true, fulfill the mission, find the reasons of falling behind, and emphasize the implementation, at the beginning of September, the Company's logistics control center organized all party members of the branch to Yangzhuang Village, Lumiao Town, where the poverty alleviation cadre was selected by the corporate, to carry out branch team building activities.

(3) Subsequent Plans

① Learn the important discourse on poverty alleviation, and ensure political stand. General Party Secretary Xi Jinping's important discourse on poverty alleviation work is both an ideological weapon and an action guide. The party organizations of all levels of the Company shall work out a study plan carefully, strengthen the recognition of party members and management personnel on poverty alleviation work, and put the poverty alleviation work as a major political task, a top livelihood project and a matter of primary importance.

② Know about targeted poverty alleviation movement and report and pass it on well. Carry out the requirements of the Organizational Department of the Municipal Committee and the Municipal Poverty Alleviation Bureau, unite under the leadership of heads and fulfill the poverty alleviation work all-roundly.

③ Absorb aspiring youths in poverty and enlarge employment poverty alleviation and relief. Connect to three positioned assistance and support villages and two stationed villages actively, absorb aspiring youths in poverty or children of households in poverty to work in the Company, and widen the income increase channels of households in poverty.

④ According to the notification and requirement of the Bozhou Municipal Party Committee Organization Department, the Company strictly implements the spirit of "Work Tips on the Role of Selecting and Helping Cadres in the Fight against the Epidemic Prevention and Control". By combining the actual needs of corporate to select and help the poor cadres and help villages, the Company provided supplies and sent encouraging words to win the battle for epidemic prevention and control.

3. Issues Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

Yes

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Anbui Gujing Distillery Co., Ltd.	COD	Directly discharge	3	Gujing plant, Zhangji plant, Headquarter plant	20.79mg/L 25.42mg/L 46.09mg/L	≦100mg/L	94.16t	155.05t	Naught
Anbui Gujing Distillery Co., Ltd.	NH3-N	Directly discharge	3	Gujing plant, Zhangji plant, Headquarter plant	0.35mg/L 0.48mg/L 1.17mg/L	≦10mg/L	2.18t	15.53t	Naught
Anbui Gujing Distillery Co., Ltd.	Smoke	Organized discharge through chimney	3	Gujing plant, Zhangji plant,	3.34mg/m³ 9.76mg/m³ 3.03mg/m³	Gujing plant, Headquarter plant ≦10mg/m³	2.41t	/	Naught

				Headquarter plant		Zhangji plant ≦20mg/m³			
Anbui Gujing Distillery Co., Ltd.	Sulfur Dioxide	Organized discharge through chimney	3	Gujing plant, Zhangji plant, Headquarter plant	2.14mg/m³ 9.02mg/m³ 5.99mg/m³	Gujing plant, Headquarter plant≦35mg/m³ Zhangji plant ≦50mg/m³	3.92t	/	Naught
Anbui Gujing Distillery Co., Ltd.	Nitrogen oxide	Organized discharge through chimney	3	Gujing plant, Zhangji plant, Headquarter plant	16.92mg/m³ 80.94mg/m³ 17.09mg/m³	Gujing plant, Headquarter plant≦50mg/m³ Zhangji plant ≦150mg/m³	15.33t	/	Naught
Anhui Longrui Glass Co., Ltd	Smoke	Organized discharge through chimney	3	No. 1 furnace, No. 2 furnace, No. 3 furnace	24.58mg/m³ / 23.31mg/m³	≦200mg/m³	10.56t	/	Naught
Anhui Longrui Glass Co., Ltd	Sulfur Dioxide	Organized discharge through chimney	3	No. 1 furnace, No. 2 furnace, No. 3 furnace	2.95mg/m³ / Not detected	≦850mg/m³	0.5t	/	Naught
Anhui Longrui Glass Co., Ltd	Nitrogen oxide	Organized discharge through chimney	3	No. 1 furnace, No. 2 furnace, No. 3 furnace	178mg/m³ / 139.33mg/m³	≦700mg/m³	78.64t	/	Naught

Construction and operation of facilities for preventing pollution:

1. Construction and operation of the sewage control facilities of the listed Company and its subsidiary companies

(1) The sewage treatment capacity of the sewage treatment station of Zhangji plant of Anhui Gujing Distillery Co., Ltd is about 700 tons per day. IC anaerobic jar, improved A²/O and in-depth treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in Table 2 of GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

(2) The sewage treatment capacity of the sewage treatment station of the headquarters of Anhui Gujing Distillery Co., Ltd is about 4000 tons per day. IC anaerobic jar, A²/O and in-depth treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in Table 2 of GB27631-2011

Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

(3) The sewage treatment capacity of the sewage treatment station of Gujing Subsidiary under Anhui Gujing Distillery Co., Ltd is about 2800 tons per day. IC anaerobic jar, A²/O and in-depth treatment process is adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in Table 3 of GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

(4) The production and living sewage of Anhui Longrui Glass Co., Ltd is discharged into the sewage treatment station of Zhangji Plant under Anhui Gujing Distillery Company Limited, and it is discharged after treatment and up to the standard.

2. Construction and operation situation of waste gas control facilities of the listed Company and its subsidiaries

(1) The flue gas control facilities of thermal power stations of the Headquarters and Gujing Subsidiary of Anhui Gujing Distillery Company Limited run well, and waste gas is discharged through the 65-meter-tall exhaust funnel after the waste gas treatment is up to the standard, adopting the process of cloth-bag dust removal (original)+Limestone-Wet flue gas Desulfurization (renovated) +SNCR Denitrification by non-catalytic reduction (original) + SCR Denitrification by catalytic reduction (newly added) + Wet electrostatic precipitator (newly added), and discharge of flue gas meets the super-low discharge requirements (smoke $\leqslant$10mg/m^3, SO2$\leqslant$35mg/m^3, NOx$\leqslant$50mg/m^3).

(2) The coal-to-gas work has been completed and runs stably at Zhangji Plant under Anhui Gujing Distillery Company Limited, and waste gas is discharged through the 20-meter-tall exhaust funnel, of which and discharge of flue gas meets the requirements for coal-fired boiler in Table 2 of GB13271-2014 Emission Standard of Air Pollutants for Industrial Kiln and Furnace.

(3) No. 2 furnace of Anhui Longrui Glass Co., Ltd has been stopped, and No. 2 and No. 3 furnaces have completed coal-to-gas work and are running stably. SCR Denitrification by catalytic reduction has been adopted, waste gas from No. 1 furnace is discharged through the 45-meter-tall exhaust funnel and waste gas from No. 3 furnace through the 45-meter-tall exhaust funnel after the waste gas treatment is up to the standard. The discharge of flue gas meets the requirements in GB9078-1996 Emission Standard of Air Pollutants for Boiler.

(4) The Headquarter of Anhui Gujing Distillery Company Limited and Gujing Branch finished product coding machine exhaust gas treatment facilities are operating well. By adopting photocatalytic oxidation technology, the Company’s flue gas emissions comply with the Table 1 standard requirements of DB12/524-2014 Emission Standard for Industrial Enterprises Volatile Organic Compounds.

(5) The Headquarters of Anhui Gujing Distillery Company Limited and the odor treatment facilities of Zhangji Sewage Station are operating well. By adopting technologies like photocatalytic oxidation and activated carbon adsorption, and the Company’s emission of exhaust gas meets the requirements of Table 2 of the Standard for Emission of Pollutants.

In 2019, the environment protection facilities of Anhui Gujing Distillery Company Limited and its subsidiaries ran normally in general, main pollutants can achieve up-to-standard discharge, environment information is opened to the public normally, and they have performed their social responsibilities properly.

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

No.	Item	Category of EIA	EIA approval (filing) time	EIA approval (filing) number
1	In-depth renovation project of sewage treatment station in industrial park of Anhui Gujing Distillery Company Limited	Environment affection form	16 November 2019	BHB [2019] No. 36

Emergency plan for sudden environment affairs

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

Environmental self-monitoring scheme

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

Other environment information that should be disclosed

Naught

Other related environment protection information

Naught

XIX Other Significant Events

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XX Significant Events of Subsidiaries

□ Applicable √ Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	0	0.00%						0	0.00%
II. Non-restricted shares	503,600,000	100.00%						503,600,000	100.00%
1 RMB ordinary shares	383,600,000	76.17%						383,600,000	76.17%
2 Domestically listed foreign shares	120,000,000	23.83%						120,000,000	23.83%
III. Total shares	503,600,000	100.00%						503,600,000	100.00%

Reasons for share changes:

□ Applicable √ Not applicable

Approval of share changes:

□ Applicable √ Not applicable

Transfer of share ownership:

□ Applicable √ Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

□ Applicable √ Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

□ Applicable √ Not applicable

2. Changes in Restricted Shares

□ Applicable √ Not applicable

II. Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

□ Applicable √ Not applicable

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

□ Applicable √ Not applicable

3. Existing Staff-Held Shares

□ Applicable √ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	21,204	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	29,696	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0

5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Non-restricted shares held	Shares in pledge or frozen	
							Status	Shares
ANHUI GUJING GROUP COMPANY LIMITED	State-owned legal person	53.89%	271,404,022			271,404,022	In pledge	114,000,000
GAOLING FUND,L.P.	Foreign legal person	2.47%	12,446,408			12,446,408		
AGRICULTURAL BANK OF CHINA-E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	Other	2.45%	12,324,779			12,324,779		
CHINA INT'L	Foreign	1.96%	9,871,986			9,871,986		

CAPITAL CORP HONG KONG SECURITIES LTD	legal person							
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign legal person	1.72%	8,672,976			8,672,976		
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED-INVESCO GREAT WALL EMERGING GROWTH HYBRID SECURITIES INVESTMENT FUND	Other	1.49%	7,500,000			7,500,000		
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	Foreign legal person	1.40%	7,068,861			7,068,861		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned legal person	1.30%	6,543,600			6,543,600		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	1.12%	5,657,150			5,657,150		
NORGES BANK	Foreign legal person	1.03%	5,211,411			5,211,411		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)		N/A						
Related or acting-in-concert parties among the shareholders above		Among the shareholders above, the Company’s controlling shareholder—Anhui Gujing Group Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed						

	Companies.		
Top 10 non-restricted shareholders			
Name of shareholder	Non-restricted shares held at the period-end	Shares by type	
		Type	Shares
ANHUI GUJING GROUP COMPANY LIMITED	271,404,022	RMB ordinary share	271,404,022
GAOLING FUND,L.P.	12,446,408	Domestically listed foreign stock	12,446,408
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	12,324,779	RMB ordinary share	12,324,779
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	9,871,986	Domestically listed foreign stock	9,871,986
HONG KONG SECURITIES CLEARING COMPANY LTD.	8,672,976	RMB ordinary share	8,672,976
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED-JINGSHUN GREATWALL EMERGING GROWTH HYBRID SECURITIES INVESTMENT FUND	7,500,000	RMB ordinary share	7,500,000
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	7,068,861	Domestically listed foreign stock	7,068,861
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	6,543,600	RMB ordinary share	6,543,600
GREENWOODS CHINA ALPHA MASTER FUND	5,657,150	Domestically listed foreign stock	5,657,150
NORGES BANK	5,211,411	Domestically listed foreign stock	5,211,411

Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	N/A

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

□ Yes √ No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by a local state-owned legal person

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
ANHUI GUJING GROUP COMPANY LIMITED	Liang Jinhui	16 January 1995	91341600151947437P	Making beverage, construction materials and plastic products, etc.
Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period	The controlling shareholder ANHUI GUJING GROUP COMPANY LIMITED directly holds100,000,000 shares of Huaan Securities Co., Ltd. owning the proportion of shares of 2.76%.			

Change of the controlling shareholder in the Reporting Period:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Information about the Actual Controller

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

Type of the actual controller: legal person

Name of actual controller	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
State-owned Assets Supervision	N/A		N/A	N/A

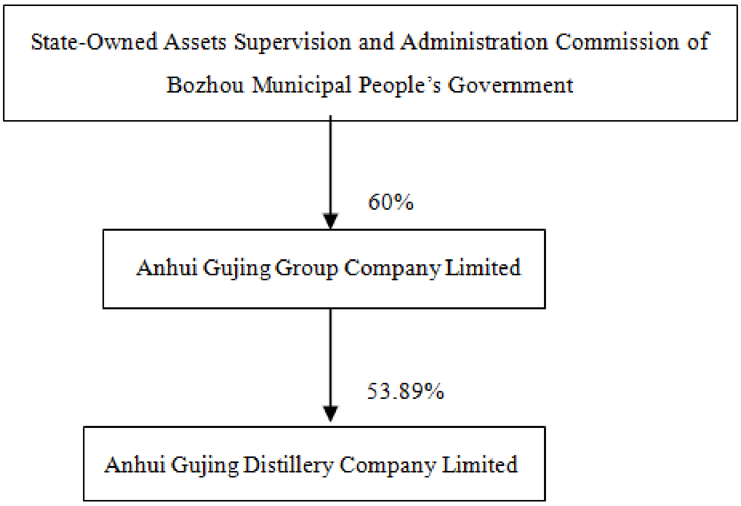
and Administration Commission of the People's Government of Bozhou				
Other listed companies at home or abroad controlled by the actual controller in the Reporting Period	N/A			

Change of the actual controller during the Reporting Period:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



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

□ Applicable √ Not applicable

4. Other 10% or Greater Corporate Shareholders

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

Part VII Preferred Shares

□ Applicable √ Not applicable

No preferred shares in the Reporting Period.

Part VIII Convertible bonds

□ Applicable √ Not applicable

No preferred shares in the Reporting Period.

Part IX Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Liang Jinhui	Chairman of the Board	Incumbent	Male	54	20 June 2017	19 June 2020					
Li Peihui	Director	Incumbent	Male	47	20 June 2017	19 June 2020					
Zhou Qingwu	Director, GM	Incumbent	Male	46	20 June 2017	19 June 2020					
Yan Lijun	Director, Executive Deputy GM	Incumbent	Male	47	20 June 2017	19 June 2020					
Xu Peng	Director, Deputy GM	Incumbent	Male	50	20 June 2017	19 June 2020					
Ye Changqing	Director, Deputy GM, Chief Accountant, Secretary of the Board	Incumbent	Male	46	20 June 2017	19 June 2020					
Wang Gao	Independent director	Incumbent	Male	55	20 June 2017	19 June 2020					
Song Shuyu	Independent director	Incumbent	Male	58	20 June 2017	19 June 2020					
Wang Ruihua	Independent director	Incumbent	Male	58	27 September 2019	19 June 2020					
Sun	Chairman	Incumbent	Male	55	20 May	19 June					

Wanhua	of Supervisory Committee				2019	2020						
Yang Xiaofan	Supervisor	Incumbent	Male	53	20 June 2017	19 June 2020						
Wang Zibin	Employee supervisor	Incumbent	Male	50	20 June 2017	19 June 2020						
Lu Duicang	Supervisor	Incumbent	Male	40	20 May 2019	19 June 2020						
Zhang Bo	Employee supervisor	Incumbent	Male	55	20 June 2017	19 June 2020						
Zhang Lihong	Deputy GM	Incumbent	Male	52	20 June 2017	19 June 2020						
Zhu Xianghong	GM assistant	Incumbent	Male	46	20 June 2017	19 June 2020						
Gao Jiakun	GM assistant	Incumbent	Male	50	20 June 2017	19 June 2020						
Du Jie	Independent director	Former	Male	50	20 June 2017	27 September 2019						
Wang Feng	Chairman of Supervisory Committee	Former	Male	55	20 June 2017	20 May 2019						
Fu Qiangxin	Supervisor	Former	Male	51	20 June 2017	20 May 2019						
Total	--	--	--	--	--	--						

II Change of Directors, Supervisors and Senior Management

□ Applicable √ Not applicable

Name	Office title	Type	Date	Reason
Du Jie	independent director	The independent director	September 27, 2019	Personal reasons.
Wang Feng	Chairman of the Supervisory Committee	Left	20 May 2019	Job adjustment.

Fu Qiangxin	Supervisor	Left	20 May 2019	Job adjustment.

III Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

1. Mr. Liang Jinhui, male, born in October 1966, is Political Engineer and a deputy to the 13^{th} National People's Congress who has educational experience of graduate student, incumbent president of the Company and president and Secretary of CPC of Gujing Group. He ever took the post of MD, GM, Deputy GM, GM of Bozhou Gujing Sales Co., Ltd., Supervisor of Third Supervisory Committee, Director of the 4^{th}, 5^{th} and 6^{th} Board of Directors and Chairman of the 7^{th} Board of Directors of the Company.

2. Mr. Li Peihui, male, born in July 1973, is a holder of master degree. He is a senior accountant, CPA and member of national leading accounting talents. At present, he acts as the Company's Vice Secretary of CPC and president of Gujing Group. He had ever served as deputy GM and GM of Financial Department, deputy chief accountant, chief accountant, Secretary of Board of Directors and Director of the Company; Chairman of the Board of Anhui Ruijing Business Travel Group Co. and Anhui Huixin Financial Investment Group; executive vice president and CFO of Gujing Group; and director of the 7^{th} Board of Directors.

3. Mr. Zhou Qingwu, male, born in February 1974, is a senior accountant and national chief sommelier with educational experience of graduate student. At present, he is Director and General Manager of the Company, Vice Secretary of CPC of Gujing Group. He had ever acted as Chairman and General Manager of Bozhou Gujing Packing Material Co., Ltd., Deputy GM and deputy executive GM of the Company and Director of the 5^{th} , 6^{th} and 7^{th} Board of Directors of the Company.

4. Mr. Yan Lijun, male, June 1973, is a holder of master degree with Senior Taster. Now he is Director, Executive Deputy GM of the Company, member of CPC Committee of Gujing Group, Chairman of the Board and GM of Bozhou Gujing Sales Co., Ltd. He once worked as a salesman of Sale Company, District Manager, Director of Market Research, Vice Manager of Planning Department, Director of Hefei Strategic Operations Center, Vice GM and director of the 7^{th} Board of Directors of the Company.

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

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

7. Wang Gao, Male, born in April 1965, Doctor of Sociology graduated from Yale University, Professor of Marketing, Bao Steel Chaired Professor, vice dean, member of Management Committee, Academic Director of CMO Project, Co-Academic Director of Global CEO Project & WIT 120 Project in China Europe International Business School. He acts as the independent director in GOME, Canature, Yunji, SINENG He once worked as Associate Professor, Deputy Dean of Department of Marketing in School of Economics and Management, Tsinghua University, deputy director of China's Retail Research Center Academic Director of Harvard - central Europe - Tsinghai university senior managers (SEPC) project. Strategic Analysis Manager of Minute Maid Branch of Coca-Cola Company and senior counselor of The Information Resources Co., Ltd. (IRI).

8. Song Shuyu, male, born in November 1962, is Senior Engineer and Master of Chinese Wine with educational experience of graduate student. Now, he is Deputy President and Secretary General of China Alcoholic Drinks Association, Secretary-general of

Liquor Branch Association, Secretary General of Market Professional Committee, Secretary General of White Wine Club Technical Committee, specialist who enjoy the special allowance of the state council. He also is member of Chinese liquor standardization technical committee, Deputy Secretary General of strong-flavor, Feng-flavour, soybean-flavor and rice flavour Liquor Technical Committee of Chinese Liquor Standardization Technical Committee, Chairman of Committee of Te-flavour Chinese spirits and Laobaigan-flavour Chinese spirits standardization technical committee.

9. Wang Ruihua, male, born in January 1962, is a non-practicing CPA with a doctor's degree in management. Now he acts as a professor and doctoral advisor in the Business School of Central University of Finance and Economics, the independent director in Beijing Zhong Ke San Huan Hi-Tech Co., Ltd., Harbin Gloria Pharmaceuticals Co., Ltd. and Bank Of Beijing Co., Ltd.

10. Sun Wanhua, male, was born in October 1965 with a bachelor degree. Now he acts as the Chairman of the Supervisory Committee of the Company, member of the Party Committee and vice president in Gujing Group. He once held the posts of the member of Standing Committee of CPC County Committee, the Party Secretary of People's Armed Forces Department and political commissar in Minquan County, Henan Province, member of Standing Committee of Discipline Inspection Committee in Bozhou, Deputy Director of Bozhou Supervision Bureau and Deputy Secretary of Bozhou Discipline Inspection Committee.

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

12. Wang Zibin, male, born in August 1970, a senior auditor, certified internal auditor and CPA with a college degree. Now he acts as the Employee Supervisor of the Company, member of the Party Committee and Secretary of the Discipline Inspection Committee in Gujing Group. He once held the posts of the GM of Audit Department in Gujing Group, Assistant GM in Bozhou Construction Investment Real Estate Development Co., Ltd., CFO and Deputy GM in Hefei Marketing Center of Bozhou Gujing Sales Company, the Supervisor of the 7th Supervisory Committee of the Company and Director in Audit Supervision Center of Gujing Group.

13. Lu Duicang, male, born in March 1980, a senior accountant with a bachelor degree. Now he serves as the Assistant Financial Controller in Gujing Group. He once acted as the accountant, deputy director, and director of No.1 Center of Finance Department, factory director of the Liquor and Spirits Bottling Branch and Manager of Finished Product Department in the Company, Controller of the Financial Management Center in Gujing Group, GM of Anhui Huixin Finance Investment Group Co., Ltd. and the Supervisor of the 5th, 6th and 7th Supervisory Committee of the Company.

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

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

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

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

Management Centre of the Company.

Offices held concurrently in shareholding entities:

√Applicable □Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liang Jinhui	Anhui Gujing Group Co., Ltd.	Chairman of the Board of Directors, Chairman of Party Committee	1 May 2014		Yes
Li Peihui	Anhui Gujing Group Co., Ltd.	Deputy Chairman of Party Committee,， President	31 October 2017		Yes
Sun Wanhua	Anhui Gujing Group Co., Ltd.	Vice President, member of the Party Committee	31 October 2017		Yes
Yang Xiaofan	Anhui Gujing Group Co., Ltd.	Vice President, member of the Party Committee	1 November 2009		Yes
Wang Zibin	Anhui Gujing Group Co., Ltd.	Member of the Party Committee, Chairman of Discipline Inspection Committee	23 May 2019		Yes
Lu Duicang	Anhui Gujing Group Co., Ltd.	Assistant Financial Controller	27 November 2017		Yes
Zhang Bo	Anhui Gujing Group Co., Ltd.	Chairman of the Labor Union	16 October 2015		Yes
Notes	The above-mentioned personnel, though they take posts in shareholders' entities, comply with the relevant employment requirements of Company Law, Securities Law and never disciplined by CSRC, other relevant				

	departments and the Stock Exchange.

Offices held concurrently in other entities:

□ Applicable √ Not applicable

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

□ Applicable √ Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

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

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

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

The remuneration is determined based on the annual performance of the Company and the appraisal result in accordance with the spirits in the Implementation Opinion on Deepening the System Reform of Remuneration of Chargers in Provincial Enterprises (WF[2015] No. 28), and the Interim Procedures of Remuneration Management of Chargers in Municipal Enterprises (GZG[2017] No. 21) issued by the CPC Anhui Provincial Committee and the People's Government of Anhui.

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

Payment of the remuneration of Directors, Supervisors and Executive Officers is distributed annually according to check.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liang Jinhui	Chairman of the Board	Male	54	Incumbent		Yes
Li Peihui	Director	Male	47	Incumbent		Yes
Zhou Qingwu	Director, GM	Male	46	Incumbent	146.58	No
Yan Lijun	Director, Executive Deputy GM	Male	47	Incumbent	325.07	No
Xu Peng	Director, Deputy GM	Male	50	Incumbent	94.39	No
Ye Changqing	Director, Deputy GM, Chief Accountant, Secretary of the	Male	46	Incumbent	141.44	No

	Board					
Wang Gao	Independent director	Male	55	Incumbent	7.50	No
Song Shuyu	Independent director	Male	58	Incumbent	7.50	No
Wang Ruihua	Independent director	Male	58	Incumbent	0.00	No
Sun Wanhua	Chairman of Supervisory Committee	Male	55	Incumbent		Yes
Yang Xiaofan	Supervisor	Male	53	Incumbent		Yes
Wang Zibin	Employee supervisor	Male	50	Incumbent		Yes
Lu Duicang	Supervisor	Male	40	Incumbent		Yes
Zhang Bo	Employee supervisor	Male	55	Incumbent		Yes
Zhang Lihong	Deputy GM	Male	52	Incumbent	144.65	No
Zhu Xianghong	GM assistant	Male	46	Incumbent	306.48	No
Gao Jiakun	GM assistant	Male	50	Incumbent	127.02	No
Du Jie	Independent director	Male	50	Former	7.50	No
Wang Feng	Chairman of Supervisory Committee	Male	55	Former		Yes
Fu Qiangxin	Supervisor	Male	51	Former		Yes
Total	--	--	--	--	1,308.13	--

Equity incentives for directors, supervisors and senior management in the Reporting Period:

□ Applicable √ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	5,642
Number of in-service employees of major subsidiaries	4,039
Total number of in-service employees	9,681
Total number of paid employees in the Reporting Period	9,681
Number of retirees to whom the Company as the parent or its	1,142

major subsidiaries need to pay retirement pensions	
Functions	
Function	Employees
Production	5,452
Sales	2,378
Technical	471
Financial	187
Administrative	1,193
Total	9,681
Educational backgrounds	
Educational background	Employees
Master or above	84
Bachelor	2,286
Junior college	1,965
High school or below	5,346
Total	9,681

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

□ Applicable √ Not applicable

Part X Corporate Governance

I General Information of Corporate Governance

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

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

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

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

Indicate by tick market whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

□ Yes √ No

No such cases in the Reporting Period.

II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

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

III Horizontal Competition

□ Applicable √ Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 2018 Annual General Meeting	Annual General Meeting	61.15%	20 May 2019	21 May 2019	Announcement on Resolutions of the 2018 Annual General Meeting disclosed on www.cninfo.com.cn
The 1st Extraordinary General Meeting of 2019	Extraordinary General Meeting	64.61%	27 September 2019	28 September 2019	Announcement on Resolutions of the 1st Extraordinary General Meeting of 2019 disclosed on www.cninfo.com.cn
The 2nd Extraordinary General Meeting of 2019	Extraordinary General Meeting	59.80%	26 November 2019	27 November 2019	Announcement on Resolutions of the 2nd Extraordinary General Meeting of 2019 disclosed on www.cninfo.com.cn

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

□ Applicable √ Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended

Wang Gao	4	0	4	0	0	No	0
Song Shuyu	4	0	4	0	0	No	0
Wang Ruihua	1	0	1	0	0	No	0
Du Jie	3	1	2	0	0	No	2

Why any independent director failed to attend two consecutive board meetings:

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

Indicate by tick mark whether any independent directors raised any objections on any matter of the Company.

□ Yes √ No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

√ Yes □ No

Suggestions from independent directors adopted or not adopted by the Company:

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

VI Performance of Duty by Specialized Committees under the Board in the Reporting Period

1. Duty performance of the Strategy Committee

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

2. Duty performance of the Audit Committee

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

(1) It reviewed the annual report of the Company in 2019.

(2) Upon discussion with RSM China for the 2019 annual audit, it determined the schedule for the financial report and internal control audit for 2019.

(3) It communicated in advance with the CPAs firm and independent directors before the CPAs firm came to the Company and started the 2019 annual audit.

(4) It reviewed the short form of the preliminary financial statements of 2019 prepared by the financial department of the Company for the first time before the annual auditor came to the Company and made some helpful suggestions.

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

(6) After the annual auditor issued the preliminary audit opinion, it reviewed the 2019 annual financial statements again and made the final resolution.

3. Duty performance of the Nomination Committee

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

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

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

4. Duty performance of Remuneration and Appraisal Committee

(1) The Remuneration and Appraisal Committee affiliated to the Board of Directors, according to relevant regulations of Implementation Rules of Remuneration and Appraisal Committee successfully completed the annual performance appraisal to directors, supervisors and senior executives in line with standards and procedures of performance appraisal during the reporting period.

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

VII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

□ Yes √ No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

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

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

□ Yes √ No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	27 April 2020	
Index to the disclosed internal control self-evaluation report	See www.cninfo.com.cn for the Anhui Gujing Distillery Company Limited Self-assessment Report of Internal Control	
Evaluated entities' combined assets as % of consolidated total assets	99.26%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	99.89%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	Critical defect: Separate defect or other defects that result in failure in preventing, finding out and correcting major wrong reporting in financial report in time. The following circumstances are deemed as critical defects: (1) Ineffective in controlling the environment; (2) Malpractice of directors, supervisors and senior management officers; (3) According to external auditing, there's major wrong reporting in current financial report, which fails to be found by the company in its operating process; (4) Major defects found and reported to the top management fail to be corrected within a reasonable period of time; (5) The supervision of audit committee of the company and its internal audit department for internal control is ineffective; (6) Other defects that may affect correct judgment of users of statements. Major defect: Separate defect or other defects that result in failure in preventing, finding out and correcting wrong reporting in financial report in time, which shall be noted by the top management despite of not attaining or exceeding critical level. Minor defect: Other internal control defects not constituting critical or major defects.	Any of the following circumstances shall be deemed as a critical defect, and other circumstances shall be deemed as major or minor defects according to their degree of impact. (1) Violate national laws, regulations or standardized documents; (2) Major decision making procedure is not scientific; (3) Lack of systems results in systematic failure; (4) Critical or major defects fail to be rectified; (5) Other circumstances that have major impact on the company.

Quantitative standard	Critical defect: (1) Wrong reporting ≥0.5% of total operating revenue; (2) Wrong reporting ≥5% of total profit; (3) Wrong reporting ≥0.5% of total assets; (4) Wrong reporting ≥0.5% of total owner's equity. Major defect: (1) Wrong reporting ≥0.2% but ＜0.5% of total operating revenue; (2) Wrong reporting ≥2% but ＜5% of total profit; (3) Wrong reporting ≥0.2% but ＜0.5% of total assets; (4) Wrong reporting ≥0.2% but ＜0.5% of total owner's equity. Minor defect: (1) Wrong reporting＜0.2% of total operating revenue; (2) Wrong reporting＜2% of total profit; (3) Wrong reporting＜0.2% of total assets; (4) Wrong reporting＜0.2% of total owner's equity.	Critical defect: The defect with direct property loss amounting to over RMB10 million, has great negative impact on the company and is disclosed in public in the form of announcement. Major defect: The defect with direct property loss amounting to RMB1 million to RMB10 million (included), or is penalized by governmental authority of the country but has not resulted in negative impact on the company. Minor defect: The defect with direct property loss no more than RMB1 million (included), or is penalized by governmental authority of the provincial-level or below but has not resulted in negative impact on the company.
Number of material weaknesses in internal control over financial reporting	0	
Number of material weaknesses in internal control not related to financial reporting	0	
Number of serious weaknesses in internal control over financial reporting	0	
Number of serious weaknesses in internal control not related to financial reporting	0	

X Independent Auditor's Report on Internal Control

√ Applicable □ Not applicable

Opinion paragraph in the independent auditor's report on internal control	
We believe that the Company has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 December 2019	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	27 April 2020

Index to such report disclosed	See www.cninfo.com.cn for Audit Report of Internal Control
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

□ Yes √ No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

√ Yes □ No

Part XI Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No

Part XII Financial Statements

I Independent Auditor's Report

Type of auditor's opinion	Unmodified unqualified opinion
Date of signing the auditor's report	24 April 2020
Name of the auditor	RSM China
No. of the auditor's report	Rongcheng audit character [2020] 230Z1808
Name of CPA	Fu jinyong, Bao guangrong, Jiang jieyu

Text of the Auditor's Report

To the Shareholders of Anhui Gujing Distillery Company Limited:

Opinion

We have audited the financial statements of Anhui Gujing Distillery Co., Ltd. (hereafter referred to as "Anhui Gujing"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2019, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Anhui Gujing's financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing (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 Anhui Gujing in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

I. Revenue recognition

i. Description

Refer to notes to the consolidated financial statements "3. 29. Revenue" and "5. 34. Revenue and Cost of Sales ".

In 2019, the company achieved revenue of 10.417 billion yuan, an increase of 19.93% compared with the same period in 2018. As revenue is one of the key performance indicators of the company, there may be the risk of material misstatement in whether the revenue is recognized in an appropriate accounting period. Therefore, we regard revenue recognition as a key audit matter.

ii. Audit response

Our procedures for revenue recognition include:

i) Understand the internal control process design related to the sales business, and execute the walk-through test, perform the control test on the identified key control points;

ii) Interview with the management, check the samples of sales contract, analyze the significant risk and reward transferring point related to revenue recognition of liquor sales, and then evaluate whether the company's sales revenue recognition policy is reasonable;

iii) Sampling inspection of supporting documents related to liquor sales revenue recognition, including sales orders, sales invoices, outbound orders, etc.;

iv) Compared with the liquor sales data of other enterprises in the same industry, compared the liquor sales data of the last period with the current period, analyzed the overall rationality of revenue and gross margin;

v) For the liquor sales revenue recognized before and after the balance sheet date, select samples to check the sales orders, sales invoices, outbound orders, etc., in order to evaluate whether the sales revenue is recorded in an appropriate accounting period;

vi) Confirm the amount of liquor sold and the closing balance of the advance payment to the main distributor by sending confirmation letter.

II. **Accuracy of inventory balances**

i. Description

Refer to notes to the consolidated financial statements "3 13. Inventory" and "5. 8. Inventory".

Anhui Gujing has a large inventory balance and needs to maintain an appropriate level of inventory to meet future market or production demand. The inventory balance accounts for 21.74% of the company's total assets, and most of the inventory is semi-finished products and work in progress products. As the most important asset of liquor production enterprises, inventory has a high balance at the end of the year and a large proportion of the total assets. Therefore, we regard the accuracy of the company's inventory balance as a key audit matter.

ii. Audit response

Our procedures for the accuracy of inventory balances include:

i) Understand the internal control process design related to inventory business, and carry out walk-through test, carry out control tests for identified key control points;

ii) Obtain the stocktaking plan and stocktaking results of the company, understand the stocktaking methods and review procedures of the company, and supervise the stocktaking;

iii) Understand the company's inventory cost accounting method, select several months of cost calculation sheet to review, and select the main categories of inventory to carry out valuation test;

iv) To understand the provision method of the company's inventory impairment, evaluate the appropriateness of the provision method, and review whether the provision amount is correct;

v) Perform analytical procedures and compare with companies in the same industry.

Other information

Management of Anhui Gujing is responsible for the other information. The other information comprises the information included in the Annual Report of Anhui Gujing for the year of 2019, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing Anhui Gujing'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 Anhui Gujing or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Anhui Gujing'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.

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

i) 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.

ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

iv) 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 Anhui Gujing'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 Anhui Gujing to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Anhui Gujing to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

RSM China CPA LLP   *[Name of CPA*]：Fujinyong

China·Beijing   *[Name of CPA*]：Baoguangrong

[Name of CPA]：Jangjieyue

[Date] 24 April 2020

II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

1. Consolidated Balance Sheet

Prepared by Anhui Gujing Distillery Company Limited

31 December 2019

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary assets	5,619,749,918.09	1,705,760,865.12
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	509,031,097.02	0.00
Financial assets at fair value through profit or loss	0.00	622,892.96
Derivative financial assets		
Notes receivable	1,004,217,431.56	1,347,427,811.34
Accounts receivable	40,776,567.96	29,748,068.74
Accounts receivable financing		
Prepayments	197,453,313.96	182,558,000.75
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	25,746,957.22	43,342,878.22
Including: Interest receivable	1,908,788.81	24,923,178.08
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	3,015,051,961.78	2,407,306,664.86
Contractual assets		
Assets classified as held for sale		
Current portion of non-current assets	0.00	300,000,000.00
Other current assets	114,439,167.07	3,012,478,687.20

Total current assets	10,526,466,414.66	9,029,245,869.19
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Available-for-sale financial assets	0.00	206,393,107.46
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	4,678,282.24	4,900,000.00
Investments in other equity instruments		
Other non-current financial assets		
Investment property	4,710,086.02	5,027,228.53
Fixed assets	1,722,572,998.79	1,763,988,530.56
Construction in progress	183,984,816.07	93,320,557.56
Productive living assets		
Oil and gas assets		
Use rights assets		
Intangible assets	785,717,932.76	742,083,609.10
R&D expense		
Goodwill	478,283,495.29	478,283,495.29
Long-term prepaid expense	70,240,106.82	83,561,473.46
Deferred income tax assets	90,494,544.51	86,580,171.06
Other non-current assets	4,148,686.00	16,544,407.51
Total non-current assets	3,344,830,948.50	3,480,682,580.53
Total assets	13,871,297,363.16	12,509,928,449.72
Current liabilities:		
Short-term borrowings		
Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	703,679,646.86	349,203,413.72

Accounts payable	563,494,195.40	484,952,598.59
Advances from customers	529,863,011.73	1,149,143,310.48
Contractual liabilities		
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Payroll payable	454,189,532.89	457,299,476.43
Taxes payable	482,903,109.59	372,993,624.18
Other payables	1,315,878,229.01	1,192,020,147.82
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	197,484,121.41	295,164,745.44
Total current liabilities	4,247,491,846.89	4,300,777,316.66
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	72,778,437.92	76,636,500.55
Deferred income tax liabilities	118,872,366.61	102,764,515.11

Other non-current liabilities		
Total non-current liabilities	191,650,804.53	179,401,015.66
Total liabilities	4,439,142,651.42	4,480,178,332.32
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,295,405,592.25	1,295,405,592.25
Less: Treasury stock		
Other comprehensive income	0.00	4,794,830.59
Specific reserve		
Surplus reserves	256,902,260.27	256,902,260.27
General reserve		
Retained earnings	6,888,203,911.92	5,541,281,341.47
Total equity attributable to owners of the Company as the parent	8,944,111,764.44	7,601,984,024.58
Non-controlling interests	488,042,947.30	427,766,092.82
Total owners' equity	9,432,154,711.74	8,029,750,117.40
Total liabilities and owners' equity	13,871,297,363.16	12,509,928,449.72

Legal representative: Liang Jinhui The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary assets	2,919,818,830.20	1,078,172,917.59
Held-for-trading financial assets	489,861,097.02	0.00
Financial assets at fair value through profit or loss	0.00	622,892.96
Derivative financial assets		
Notes receivable	378,740,100.82	1,256,336,386.34
Accounts receivable	218,558,555.07	9,385,950.54

Accounts receivable financing		
Prepayments	17,906,999.63	10,869,911.54
Other receivables	125,219,213.84	110,800,665.19
Including: Interest receivable	301,888.89	0.00
Dividends receivable		
Inventories	2,688,839,871.27	2,125,826,967.11
Contractual assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	1,280,998.32	1,764,267,968.83
Total current assets	6,840,225,666.17	6,356,283,660.10
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets	0.00	206,393,107.46
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,148,213,665.32	1,148,213,665.32
Investments in other equity instruments		
Other non-current financial assets		
Investment property	4,710,086.02	24,715,657.40
Fixed assets	1,310,704,771.36	1,290,714,455.79
Construction in progress	84,477,784.02	86,634,753.93
Productive living assets		
Oil and gas assets		
Use rights assets		
Intangible assets	243,928,047.95	189,968,142.25
R&D expense		
Goodwill		
Long-term prepaid expense	48,354,967.15	56,643,945.05
Deferred income tax assets	31,360,809.87	37,415,458.17
Other non-current assets	574,026.00	12,474,026.00
Total non-current assets	2,872,324,157.69	3,053,173,211.37

Total assets	9,712,549,823.86	9,409,456,871.47
Current liabilities:		
Short-term borrowings		
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	49,114,582.04	28,648,913.72
Accounts payable	450,303,984.53	362,290,556.21
Advances from customers	31,724.77	1,123,125,892.84
Contractual liabilities		
Payroll payable	100,357,808.20	117,748,485.96
Taxes payable	371,012,223.50	161,176,957.25
Other payables	274,053,511.54	372,902,293.22
Including: Interest payable		
Dividends payable		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	11,953,800.20	32,605,794.55
Total current liabilities	1,256,827,634.78	2,198,498,893.75
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	33,229,246.47	36,417,554.85
Deferred income tax liabilities	22,799,814.64	4,828,737.52
Other non-current liabilities		
Total non-current liabilities	56,029,061.11	41,246,292.37

Total liabilities	1,312,856,695.89	2,239,745,186.12
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,247,162,107.35	1,247,162,107.35
Less: Treasury stock		
Other comprehensive income	0.00	4,794,830.59
Specific reserve		
Surplus reserves	251,800,000.00	251,800,000.00
Retained earnings	6,397,131,020.62	5,162,354,747.41
Total owners' equity	8,399,693,127.97	7,169,711,685.35
Total liabilities and owners' equity	9,712,549,823.86	9,409,456,871.47

3. Consolidated Income Statement

Unit: RMB

Item	2019	2018
1. Revenue	10,416,961,584.23	8,686,140,336.89
Including: Operating revenue	10,416,961,584.23	8,686,140,336.89
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	7,833,874,460.30	6,510,898,845.96
Including: Cost of sales	2,426,046,924.89	1,932,064,837.65
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		

Reinsurance premium expense		
Taxes and surcharges	1,592,905,554.04	1,278,907,520.09
Selling expense	3,184,894,221.10	2,682,535,305.26
Administrative expense	685,280,546.45	644,997,046.65
R&D expense	42,373,017.33	23,966,766.04
Finance costs	-97,625,803.51	-51,572,629.73
Including: Interest expense	33,652,843.25	15,408,022.76
Interest income	133,813,626.35	68,964,800.42
Add: Other income	98,244,470.32	35,701,674.45
Return on investment ("-" for loss)	126,427,450.28	148,215,468.62
Including: Share of profit or loss of joint ventures and associates	-221,717.76	0.00
Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Foreign exchange gain ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	17,585,151.48	-161,541.19
Credit impairment loss ("-" for loss)	-932,729.84	0.00
Asset impairment loss ("-" for loss)	-1,217,745.51	-12,726,868.74
Asset disposal income ("-" for loss)	252,518.68	526,066.38
3. Operating profit ("-" for loss)	2,823,446,239.34	2,346,796,290.45
Add: Non-operating income	57,805,996.37	35,289,980.44
Less: Non-operating expense	8,410,456.65	13,160,175.48
4. Profit before tax ("-" for loss)	2,872,841,779.06	2,368,926,095.41
Less: Income tax expense	715,037,184.72	628,012,434.53
5. Net profit ("-" for net loss)	2,157,804,594.34	1,740,913,660.88
5.1 By operating continuity		
5.1.1 Net profit from continuing operations ("-" for net loss)	2,157,804,594.34	1,740,913,660.88

5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	2,097,527,739.86	1,695,231,643.05
5.2.1 Net profit attributable to non-controlling interests	60,276,854.48	45,682,017.83
6. Other comprehensive income, net of tax	0.00	-48,725,996.85
Attributable to owners of the Company as the parent	0.00	-48,725,996.85
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value of the company’s credit risks		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	0.00	-48,725,996.85
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets	0.00	-48,725,996.85
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		

6.2.6 Allowance for credit impairments in investments in other debt obligations		
6.2.7 Reserve for cash flow hedges		
6.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.9 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	2,157,804,594.34	1,692,187,664.03
Attributable to owners of the Company as the parent	2,097,527,739.86	1,646,505,646.20
Attributable to non-controlling interests	60,276,854.48	45,682,017.83
8. Earnings per share		
8.1 Basic earnings per share	4.17	3.37
8.2 Diluted earnings per share	4.17	3.37

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2019	2018
1. Operating revenue	5,564,895,569.73	4,255,302,263.38
Less: Cost of sales	2,269,256,097.78	1,772,452,588.66
Taxes and surcharges	1,366,947,316.98	1,074,150,390.45
Selling expense	66,666,543.63	177,002,048.12
Administrative expense	449,947,174.03	443,945,470.10
R&D expense	21,923,357.07	17,321,657.06
Finance costs	-34,323,060.49	-42,463,654.44
Including: Interest expense	33,506,232.15	15,408,022.76
Interest income	69,580,038.23	58,659,575.81
Add: Other income	54,224,566.00	15,340,983.23
Return on investment (“-” for loss)	846,168,044.08	953,463,522.77
Including: Share of profit or loss of joint ventures and associates		

Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	17,585,151.48	-161,541.19
Credit impairment loss ("-" for loss)	-274,201.63	0.00
Asset impairment loss ("-" for loss)	-948,348.71	-11,600,870.40
Asset disposal income ("-" for loss)	36,552.41	0.00
2. Operating profit ("-" for loss)	2,341,269,904.36	1,769,935,857.84
Add: Non-operating income	45,105,856.60	29,427,413.82
Less: Non-operating expense	4,137,379.38	9,158,255.98
3. Profit before tax ("-" for loss)	2,382,238,381.58	1,790,205,015.68
Less: Income tax expense	396,856,938.96	227,402,111.65
4. Net profit ("-" for net loss)	1,985,381,442.62	1,562,802,904.03
4.1 Net profit from continuing operations ("-" for net loss)	1,985,381,442.62	1,562,802,904.03
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax	0.00	-48,659,905.79
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by remeasurements on defined benefit pension schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value of the company's credit risks		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss	0.00	-48,659,905.79

5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets	0.00	-48,659,905.79
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		
5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.9 Other		
6. Total comprehensive income	1,985,381,442.62	1,514,142,998.24
7. Earnings per share		
7.1 Basic earnings per share	3.94	3.10
7.2 Diluted earnings per share	3.94	3.10

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2019	2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	10,746,837,904.99	9,158,327,553.33
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from the central bank		

Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Tax rebates	9,498,718.50	18,279,633.65
Cash generated from other operating activities	1,323,733,316.43	774,008,382.31
Subtotal of cash generated from operating activities	12,080,069,939.92	9,950,615,569.29
Payments for commodities and services	1,593,805,653.82	1,141,576,748.20
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	2,042,656,319.91	1,557,106,771.09
Taxes paid	3,292,028,435.78	3,095,830,374.91
Cash used in other operating activities	4,959,132,466.96	2,715,220,389.14
Subtotal of cash used in operating activities	11,887,622,876.47	8,509,734,283.34
Net cash generated from/used in operating activities	192,447,063.45	1,440,881,285.95

2. Cash flows from investing activities:		
Proceeds from disinvestment	4,007,300,054.88	3,392,057,566.06
Return on investment	126,649,168.04	137,503,636.38
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	4,351,897.20	1,088,510.86
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	4,138,301,120.12	3,530,649,713.30
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	412,329,130.60	307,319,114.99
Payments for investments	1,053,830,000.00	4,349,123,092.20
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	1,466,159,130.60	4,656,442,207.19
Net cash generated from/used in investing activities	2,672,141,989.52	-1,125,792,493.89
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings obtained		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayments of borrowings		
Payments for interest and dividends	755,400,000.00	503,600,000.00
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities	0.00	16,553.34

Subtotal of cash used in financing activities	755,400,000.00	503,616,553.34
Net cash generated from/used in financing activities	-755,400,000.00	-503,616,553.34
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	2,109,189,052.97	-188,527,761.28
Add: Cash and cash equivalents, beginning of the period	835,560,865.12	1,024,088,626.40
6. Cash and cash equivalents, end of the period	2,944,749,918.09	835,560,865.12

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2019	2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	4,469,643,061.53	3,047,700,512.72
Tax rebates	4,448,500.00	4,523,679.80
Cash generated from other operating activities	530,824,780.80	744,922,683.25
Subtotal of cash generated from operating activities	5,004,916,342.33	3,797,146,875.77
Payments for commodities and services	1,103,336,566.52	1,151,280,535.30
Cash paid to and for employees	674,939,745.53	556,958,789.26
Taxes paid	1,967,147,571.63	1,875,058,501.76
Cash used in other operating activities	1,195,092,963.86	606,222,797.89
Subtotal of cash used in operating activities	4,940,516,847.54	4,189,520,624.21
Net cash generated from/used in operating activities	64,399,494.79	-392,373,748.44
2. Cash flows from investing activities:		
Proceeds from disinvestment	2,200,740,054.88	2,592,057,566.06
Return on investment	846,168,044.08	956,590,486.35
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	2,760,011.69	153,914.79

Net proceeds from the disposal of subsidiaries and other business units	0.00	3,587,238.24
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	3,049,668,110.65	3,552,389,205.44
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	271,021,692.83	228,181,556.23
Payments for investments	716,000,000.00	2,546,323,092.20
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	987,021,692.83	2,774,504,648.43
Net cash generated from/used in investing activities	2,062,646,417.82	777,884,557.01
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayments of borrowings		
Payments for interest and dividends	755,400,000.00	503,600,000.00
Cash used in other financing activities		
Subtotal of cash used in financing activities	755,400,000.00	503,600,000.00
Net cash generated from/used in financing activities	-755,400,000.00	-503,600,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	1,371,645,912.61	-118,089,191.43
Add: Cash and cash equivalents, beginning of the period	708,172,917.59	826,262,109.02
6. Cash and cash equivalents, end of the period	2,079,818,830.20	708,172,917.59

7. Consolidated Statements of Changes in Owners’ Equity

2019

Unit: RMB

Item	2019														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners’ equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balances as at the end of the prior year	503,600,000.00				1,295,405,592.25		4,794,830.59		256,902,260.27		5,541,281,341.47		7,601,984,024.58	427,766,092.82	8,029,750,117.40
Add: Adjustments for changed accounting policies							-4,794,830.59				4,794,830.59				
Adjustments for corrections of previous errors															

Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	503,600,000.00				1,295,405,592.25				256,902,260.27		5,546,076,172.06		7,601,984,024.58	427,766,092.82	8,029,750,117.40
3. Increase/ decrease in the period (“-” for decrease)											1,342,127,739.86		1,342,127,739.86	60,276,854.48	1,402,404,594.34
3.1 Total comprehensive income											2,097,527,739.86		2,097,527,739.86	60,276,854.48	2,157,804,594.34
3.2 Capital increased and reduced by owners															

3.2.1 Ordinary shares increased by owners															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															
3.3 Profit distribution											-755,400,000.00		-755,400,000.00		-755,400,000.00
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															

3.3.3 Appropriation to owners (or shareholders)											-755,400,000.00		-755,400,000.00		-755,400,000.00
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															

3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															

4. Balances as at the end of the period	503,600,000.00				1,295,405,592.25				256,902,260.27		6,888,203,911.92		8,944,111,764.44	488,042,947.30	9,432,154,711.74

2018

Unit: RMB

Item	2018														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balances as at the end of the prior year	503,600,000.00				1,295,405,592.25		53,520,827.44		256,902,260.27		4,349,649,698.42		6,459,078,378.38	382,100,628.33	6,841,179,006.71
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															

Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	503,600,000.00				1,295,405,592.25		53,520,827.44		256,902,260.27		4,349,649,698.42		6,459,078,378.38	382,100,628.33	6,841,179,006.71
3. Increase/ decrease in the period ("-" for decrease)							-48,725,996.85				1,191,631,643.05		1,142,905,646.20	45,665,464.49	1,188,571,110.69
3.1 Total comprehensive income							-48,725,996.85				1,695,231,643.05		1,646,505,646.20	45,682,017.83	1,692,187,664.03
3.2 Capital increased and reduced by owners														-16,553.34	-16,553.34

3.2.1 Ordinary shares increased by owners															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other														-16,553.34	-16,553.34
3.3 Profit distribution											-503,600,000.00		-503,600,000.00		-503,600,000.00
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															

3.3.3 Appropriation to owners (or shareholders)											-503,600,000.00		-503,600,000.00		-503,600,000.00
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															

3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															

4. Balances as at the end of the period	503,600,000.00				1,295,405,592.25		4,794,830.59		256,902,260.27		5,541,281,341.47		7,601,984,024.58	427,766,092.82	8,029,750,117.40

8. Statements of Changes in Owners' Equity of the Company as the Parent

2019

Unit: RMB

Item	2019											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	503,600,000.00				1,247,162,107.35		4,794,830.59		251,800,000.00	5,162,354,747.41		7,169,711,685.35
Add: Adjustments for changed accounting policies							-4,794,830.59			4,794,830.59		
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	503,600,000.00				1,247,162,107.35				251,800,000.00	5,167,149,578.00		7,169,711,685.35
3. Increase/ decrease in the period ("-" for decrease)										1,229,981,442.62		1,229,981,442.62
3.1 Total comprehensive income										1,985,381,442.62		1,985,381,442.62

3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-755,400,000.00		-755,400,000.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-755,400,000.00		-755,400,000.00
3.3.3 Other												
3.4 Transfers within owners' equity												

3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	503,600,000.00				1,247,162,107.35				251,800,000.00	6,397,131,020.62		8,399,693,127.97

2018

Unit: RMB

Item	2018											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38		6,159,168,687.11
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38		6,159,168,687.11
3. Increase/ decrease in the period ("-" for decrease)							-48,659,905.79			1,059,202,904.03		1,010,542,998.24
3.1 Total comprehensive income							-48,659,905.79			1,562,802,904.03		1,514,142,998.24
3.2 Capital increased and reduced by owners												

3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-503,600,000.00		-503,600,000.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-503,600,000.00		-503,600,000.00
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												

3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	503,600,000.00				1,247,162,107.35		4,794,830.59		251,800,000.00	5,162,354,747.41		7,169,711,685.35

Anhui Gujing Distillery Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2019

（All amounts are expressed in Renminbi Yuan(“RMB”)unless otherwise stated）

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

Anhui Gujing Distillery Co., Ltd. (hereinafter “the Company” or "Company") was approved by Anhui State-owned Assets Administration by WanGuoZiGongZi (1996) NO. 053. Anhui Gujing Group Co., Ltd. was the sole sponsor of the Company. The Company was established by converting the net assets of the main production and operating assets of its core enterprise Anhui Bozhou Gujing Distillery into 155 million shares of state-owned shares with a net value of 377.1677 million yuan. The registered place of the Company is Bozhou City, Anhui Province, People's Republic of China. The Company was established on March 5, 1996 with the approval of Anhui Secretary of Government (1996) No. 42 by the Anhui Provincial People's Government. The Company started its founding meeting on May 28, 1996, and registered with the Anhui Provincial Administration for Industry and Commerce on May 30, 1996.

The Company issued 60 million foreign-oriented shares for domestic listing (hereinafter “B” shares) in June 1996 and 20 million domestic listed RMB ordinary shares (hereinafter “A” shares) in September 1996, the par value of ordinary shares is RMB1per share. Both A share and B share are listed on Shenzhen Stock exchange.

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

The original registered capital wasRMB 235 million, the total amount of shares was 235 million, including state-owned shares 155 million, “B” shares 60 million, “A” shares 20 million with the par value of RMB 1 per share.

On May 29, 2006, the shareholder meeting for the Company’s split share structure reform of A-share market has discussed and approved the proposal of the split share structure reform, and the reform was implemented in June 2006. After the implementation of the Company’s split share structure reform, all shares of the Company became tradable shares, which included 147,000,000shares with restrictions on disposal, representing 62.55% of total share capital, and 88,000,000 shares without restrictions on disposal, representing 37.45% of total share capital.

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

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

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

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

According to the resolution of 2011 annual general meeting of stockholders, the Company converted 10 shares for each10 shares from capital reserves based on the 251.80 million shares on 31 December 2011, the total number of converted shares was 251.80 million, and the transfer was implemented in 2012. After the conversion, the registered capital increased to RMB 503.60 million.

As of 31 December 2019, the accumulated number of issued share capital was 503.60 million shares.

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

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

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

The financial statements were approved and authorized for issue, upon the resolution of the Company's Board of Directors meeting on April 24 2020.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

At 31 December 2019, subsidiaries of the Company are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Shareholding (or similar equity interest) (%)	
			Direct	Indirect
1	Bozhou Gujing Sales Co., Ltd.	Gujing Sales	100.00	-
2	Anhui Jinyunlai Culture & Media Co., Ltd.	Jinyunlai	100.00	-
3	Anhui Ruisiweier Technology Co., Ltd.	Ruisiweier	100.00	-
4	Anhui Colorful Taste Wine Co., Ltd.	Colorful Taste Wine	100.00	-
5	Anhui Longrui Glass Co., Ltd.	Longrui Glass	100.00	-
6	Bozhou Gujing Waste Recycling Co., Ltd.	Gujing Waste	100.00	-
7	Shanghai Gujing Jinhao hotel management company	Jinhao Hotel	100.00	-
8	Bozhou Gujing hotel Co., Ltd	Gujing Hotel	100.00	-
9	Anhui Yuanqing environmental protection Co., Ltd.	Yuanqing Environmental Protection	100.00	-

10	Anhui Gujing Yunshang Electronic Commerce Co., Ltd	Gujing Electronic Commerce	100.00	-
11	Anhui Zhenrui Construction Engineering Co., Ltd	Zhenrui Construction Engineering	100.00	-
12	Anhui RunanxinkeTesting Tech. Co., Ltd.	Runanxinke Testing	100.00	-
13	Yellow Crane Tower Wine Co., Ltd	Yellow Crane Tower Wine	51.00	-
14	Yellow Crane Tower Wine (Suizhou) Co., Ltd	Suizhou Yellow Crane Tower	-	51.00
15	Hubei Junhe Advertising Co., Ltd.	Junhe Advertising	-	51.00
16	Hubei Yellow Crane Tower Beverage Co., Ltd.	Yellow Crane Tower Beverage	-	51.00
17	Yellow Crane Tower Wine (Xianning) Co., Ltd.	Xianning Yellow Crane Tower	-	51.00
18	Wuhan Yashibo tech. Co., Ltd.	Yashibo	-	51.00
19	Wuhan Tianlong Jindi Technology Development Co., Ltd.	Tianlong Jindi	-	51.00
20	Wuhan Junya Sales Co., Ltd.	Junya Sales	-	51.00
21	Xianning Junhe Sales Co., Ltd.	Xianning Junhe	-	51.00
22	Suizhou Junhe Commercial Co., Ltd.	Suizhou Junhe	-	51.00

For details of the subsidiaries mentioned above, please refer to *Note 7 INTEREST IN OTHER ENTITIES*

(b) Change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting Period
1	Hubei Yellow Crane Tower Beverage Co., Ltd.	Yellow Crane Tower Beverage	January 1 to December 31, 2019

For the detail of the change of consolidation scope, please refer to *Note 6 CHANGES IN THE*

SCOPE OF CONSOLIDATION.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as “Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC”). In addition, the company also disclosed relevant financial information in accordance with the CSRC “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15—General Provisions on Financial Reports (2014 Revision)”.

2.2 Going Concern

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3.SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Businesses not mentioned are complied with relevant accounting policies of the Accounting Standards for Business Enterprises**.**

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company’s financial position as at 31 December 2019, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

The Company takes Renminbi Yuan ("RMB") as the functional currency.

The Company's overseas subsidiaries choose the currency of the primary economic environment in which the subsidiaries operate as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

For the accounting treatment of business combination under common control by step acquisitions, please refer to Note 3.6 (6).

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognise the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

(i) It shall review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;

(ii) If, after the review, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognised in profit or loss of the reporting period.

For the accounting treatment of business combination under the same control by step acquisitions, please refer to Note 3.6 (f).

(c) Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that controlled by the Company (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

(b) Special requirement as the parent company is an investment entity

If the parent company is an investment entity, it should measure its investments in particular subsidiaries as financial assets at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. However, as an exception to this requirement, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated.

The parent company is defined as investment entity when meets following conditions:

a. Obtains funds from one or more investors for the purpose of providing those investors with investment management services;

b. Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

c. Measures and evaluates the performance of substantially all of its investments on a fair value basis.

If the parent company becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary which provides investment-related services or activities to the investment entity shall be continued to be consolidated. The deconsolidation of subsidiaries is accounted for as though the investment entity partially disposed subsidiaries without loss of control.

When the parent company previously classified as an investment entity ceases to be an investment entity, subsidiary that was previously measured at fair value through profit or loss shall be included in the scope of consolidated financial statements at the date of the change in status. The fair value of the subsidiary at the date of change represents the transferred deemed consideration in accordance with the accounting for business combination not under common control.

(c) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

(i) Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of the subsidiaries.

(ii) The carrying amount of the parent's investment in each subsidiary is eliminated (off-set) against the parent's portion of equity of each subsidiary.

(iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognised in full.

(iv) Make adjustments to special transactions from the perspective of the group.

(d) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

(i) Acquisition of subsidiaries or business

Subsidiaries or business acquired through business combination under common control

When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss.

Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Subsidiaries or business acquired through business combination not under common control

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(ii) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(e) Special consideration in consolidation elimination

(i) Long-term equity investment held by the subsidiaries to the Company shall be recognised as treasury stock of the Company, which is offset with the owner's equity, represented as "treasury stock" under "owner's equity" in the consolidated statement of financial position.

Long-term equity investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated (off- set) against the portion of the corresponding subsidiary's equity.

(ii) Due to not belonging to paid-in capital (or share capital) and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered based on the proportion attributable to owners of the parent company after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

(iii) If temporary timing difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of elimination of unrealized inter-company transaction profit or loss, deferred tax assets of deferred tax liabilities shall be recognised, and income tax expense in the consolidated statement of profit or loss shall be adjusted simultaneously, excluding deferred taxes related to transactions or events directly recognised in owner's equity or business combination.

(iv) Unrealised inter-company transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated against "net profit attributed to the owners of the parent company" in full. Unrealized inter-company transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the related subsidiaries. Unrealized inter-company transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the selling subsidiaries.

(v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the proportion of non-controlling interest in this subsidiary at the beginning of the period, non-controlling interest is still to be written down.

(f) Accounting for Special Transactions

(i) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the separate financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the acquisition date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted into capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(ii) Gaining control over the subsidiary in stages through multiple transactions

Business combination under common control in stages through multiple transactions

On the combination date, in the separate financial statement, initial cost of the long-term equity investment is determined according to the share of carrying amount of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements after combination. The difference between the initial cost of the long-term equity investment and the carrying amount of the long -term investment held prior of control plus book value of additional consideration paid at acquisition date is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against surplus reserve and undistributed profit in turn.

In the consolidated financial statements, the assets and liabilities acquired during the combination should be recognized at their carrying amount in the ultimate controlling entity's consolidated financial statements on the combination date unless any adjustment is resulted from the difference in accounting policies. The difference between the carrying amount of the investment held prior of control plus book value of additional consideration paid on the acquisition date and the net assets acquired through the combination is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against retained earnings.

If the acquiring entity holds equity investment in the acquired entity prior to the combination date and the equity investment is accounted for under the equity method, related profit or loss, other comprehensive income and other changes in equity which have been recognised during the period from the later of the date of the Company obtaining original equity interest and the date of both the acquirer and the acquiree under common control of the same ultimate controlling party to the combination date should be offset against the opening balance of retained earnings at the comparative financial statements period respectively.

Business combination not under common control in stages through multiple transactions

On the consolidation date, in the separate financial statements, the initial cost of long-term equity investment is determined according to the carrying amount of the original long-term investment plus the cost of new investment.

In the consolidated financial statements, the equity interest of the acquired entity held prior to the acquisition date shall be re-measured at its fair value on the acquisition date. Difference between the fair value of the equity interest and its book value is recognised as investment income. The other comprehensive income related to the equity interest held prior to the acquisition date calculated through equity method, should be transferred to current investment income of the acquisition period, excluding other comprehensive income resulted from the remeasurement of the net assets or net liabilities under defined benefit plan. The Company shall disclose acquisition-date fair value of the equity interest held prior to the acquisition date, and the related gains or losses due to the remeasurement based on fair value.

(iii) Disposal of investment in subsidiaries without a loss of control

For partial disposal of the long-term equity investment in the subsidiaries without a loss of control, when the Company prepares consolidated financial statements, difference between consideration received from the disposal and the corresponding share of subsidiary's net assets cumulatively calculated from the acquisition date or combination date shall be adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be offset against retained earnings.

(iv) Disposal of investment in subsidiaries with a loss of control

Disposal through one transaction

If the Company loses control in an investee through partial disposal of the equity investment, when the consolidated financial statements are prepared, the retained equity interest should be re-measured at fair value at the date of loss of control. The difference between i) the fair value of consideration received from the disposal plus non-controlling interest retained; ii) share of the former subsidiary's net assets cumulatively calculated from the acquisition date or combination date according to the original proportion of equity interest, shall be recognised in current investment income when control is lost.

Moreover, other comprehensive income and other changes in equity related to the equity investment in the former subsidiary shall be transferred into current investment income when control is lost, excluding other comprehensive income resulted from the remeasurement of the movement of net assets or net liabilities under defined benefit plan.

Disposal in stages

In the consolidated financial statements, whether the transactions should be accounted for as "a single transaction" needs to be decided firstly.

If the disposal in stages should not be classified as "a single transaction", in the separate financial statements, for transactions prior of the date of loss of control, carrying amount of each disposal of long-term equity investment need to be recognized, and the difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed should be recognized in current investment income; in the consolidated financial statements, the disposal transaction should be accounted for according to related policy in "Disposal of long-term equity investment in subsidiaries without a loss of control".

If the disposal in stages should be classified as "a single transaction", these transactions should be accounted for as a single transaction of disposal of subsidiary resulting in loss of control. In the separate financial statements, for each transaction prior of the date of loss of control, difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed should be recognised as other comprehensive income firstly, and transferred to profit or loss as a whole when control is lost; in the consolidated financial statements, for each transaction prior of the date of loss of control, difference between consideration received and proportion of the subsidiary's net assets corresponding to the equity interest disposed should be recognised in profit or loss as a whole when control is lost.

In considering of the terms and conditions of the transactions as well as their economic impact, the presence of one or more of the following indicators may lead to account for multiple transactions as a single transaction:

(a) The transactions are entered into simultaneously or in contemplation of one another.

(b) The transactions form a single transaction designed to achieve an overall commercial effect.

(c) The occurrence of one transaction depends on the occurrence of at least one other transaction.

(d) One transaction, when considered on its own merits, does not make economic sense, but when considered together with the other transaction or transactions would be considered economically justifiable.

(v) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against retained earnings.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognise the following items in relation to shared interest in a joint operation, and account for them in accordance with relevant accounting standards of the Accounting Standards for Business Enterprises:

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the output arising from the joint operation;

(iv) its share of the revenue from the sale of the output by the joint operation; and

(v) its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by applying the equity method of long-term equity investment.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

(a) Determination of the exchange rate for foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at the spot exchange rate of the transaction date, or at an exchange rate which is determined through a systematic and reasonable method and is approximate to the spot exchange rate of the transaction date (hereinafter referred to as the approximate exchange rate).

(b) Translation of monetary items denominated in foreign currency on the balance sheet date

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date; for the foreign currency non-monetary items restated to a fair value measurement, shall be translated into the at the spot exchange rate at the date when the fair value was determined, the difference between the restated functional currency amount and the original functional currency amount shall be recorded into the profits and losses at the current period.

(c) Translation of foreign currency financial statements

Before translating the financial statements of foreign operations, the accounting period and accounting policy shall be adjusted so as to conform to the Company. The adjusted foreign operation financial statements denominated in foreign currency (other than functional currency) shall be translated in accordance with the following method:

(i) The asset and liability items in the statement of financial position shall be translated at the spot exchange rates at the date of that statement of financial position.. The owners' equity items except undistributed profit shall be translated at the spot exchange rates when they are incurred.

(ii) The income and expense items in the statement of profit and other comprehensive income shall be translated at the spot exchange rates or approximate exchange rate at the date of transaction.

(iii) Foreign currency cash flows and cash flows of foreign subsidiaries shall be translated at the spot exchange rate or approximate exchange rate when the cash flows are incurred. The effect of exchange rate changes on cash is presented separately in the statement of cash flows as an adjustment item.

(iv) The differences arising from the translation of foreign currency financial statements shall be presented separately as "other comprehensive income" under the owners' equity items of the consolidated statement of financial position.

When disposing a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation recognised under other comprehensive income in the statement of financial position, shall be reclassified into current profit or loss according to the proportion disposed.

3.10 Financial Instruments

Effective at 1st January 2019

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognised in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognised when meets one of the following conditions:

(i) The rights to the contractual cash flows from a financial asset expire

(ii) The financial asset has been transferred and meets one of the following derecognition conditions:

Financial liabilities (or part thereof) are derecognised only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a regular-way shall be recognised and derecognised using trade date accounting. A regular-way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the market place concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

(b) Classification and measurement of financial assets

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortised cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognised in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

(i)Financial asset at amortised cost

The financial asset at amortised cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortised cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognised in current profit or loss.

(ii)Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principle and interest on the principal amount outstanding. All changes in fair value are recognised in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognised in current profit or loss. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognised in other comprehensive income except for dividend income recognised in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

(iii)Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortised cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

(c) Classification and measurement of financial liabilities

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts and financial asset at amortised cost.

Subsequent measurement of financial assets will be based on the classification:

(i)Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognised in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to retained earnings.

(ii)Loan commitments and financial guarantee contracts

Loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognised based on expected credit losses model.

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognised according to the impairment principles of financial instruments; and the amount initially recognised less the cumulative amount of income recognised in accordance with the revenue principles.

(iii)Financial liabilities at amortised cost

After initial recognition, the Company measured other financial liabilities at amortised cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

(i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meet the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

(ii) If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company’s own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity’s own equity instruments

(d) Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognised as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognised directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognised in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(e) Impairment of financial instrument

The Company shall recognise a loss allowance based on expected credit losses on a financial asset that is measured at amortised cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment and a financial guarantee contract.

(i) Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate or credit- adjusted effective interest rate for purchased or originated credit-impaired financial assets.

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

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit-impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortised cost after deducting of impairment loss.

For notes receivable, accounts receivable and accounts receivable financing, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

Receivables

For the notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognise the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Group 1: Commercial acceptance bills

Group 2: Bank acceptance bills

For each group, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Group 1: Accounts receivables due from the company within the scope of consolidation

Group 2: Accounts receivables due from other customers

For each group, the Company calculates expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Group 1: Other receivables due from the company within the scope of consolidation

Group 2: Other receivables due from others

For each group, the Company calculates expected credit losses through default exposure and the 12-months or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Debt investment and other debt investment

For debt investment and other debt investment, the Company shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty and the type of risk exposure.

(ii) Low credit risk

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 fulfill its contractual cash flow obligations.

(iii) Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the Company are as following:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception

- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower’s ability to meet its debt obligations；

- An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower；

- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower’s economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

- Significant change that are expected to reduce the borrower’s economic incentive to make scheduled contractual payments;

- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument；

- Significant changes in the expected performance and behaviour of the borrower；

- Contractual payments are more than 30 days past due.

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

(iv) Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortised cost and debt investment at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

Significant financial difficulty of the issuer or the borrower； a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider； it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation；the disappearance of an active market for that financial asset because of financial difficulties；the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(v) Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit loss and recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortised cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(vi) Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognised in profit or loss as reversal of impairment loss.

(f) Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

(i) Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognised.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognised in profit or loss:

- The carrying amount of transferred financial asset;

- The sum of consideration received and the part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognised (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised) and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognised in profit or loss:

- The carrying amount (measured at the date of derecognition) allocated to the part derecognised；
- The sum of the consideration received for the part derecognised and part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

(ii) Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognise the transferred asset to the extent of its continuing involvement and also recognise an associated liability.

The extent of the Company’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

(iii) Continue to recognise the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognise any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company shall not offset the transferred asset and the associated liability.

(h) Determination of fair value of financial instruments

Determination of financial assets and financial liabilities please refer to Note 3.11

Following financial instruments accounting standard is applicable for year 2018 and before

(a) Classification of financial assets

(i) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognised at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognised as receivables separately. The interests or cash dividends to be received during the holding period are recognised as investment income. On the balance sheet date, this category of financial assets is measured at fair value, and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognised as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

(ii) Held-to-maturity investments

Held-to-maturity investments refer to government bonds, corporate bonds with fixed or determinable payments and fixed maturity, for which the Company has a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognised as a receivable separately. The interest income calculated at amortisation cost and effective interest rate during the holding period is recognised as investment income. The difference between the amount received and the book value of the investment is included in the investment income upon disposal.

(iii) Receivables

Receivables mainly include accounts receivable and other receivables. Receivables arise from external sales of goods or rendering of service by the Company. They are recognised initially at the contract price or agreement price receivable from the purchasing party.

(iv) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognised at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognised as receivables separately. The interests or cash dividends to be received during the holding period are recognised as investment income.

For available-for-sale financial assets that are foreign currency monetary financial assets, the exchange gain or loss shall be recognised in current profit or loss. Interest of available-for-sale debt instrument investment calculated using effective interest rate method shall be recognised in current profit or loss; cash dividend of available-for-sale equity instrument investment shall be recognised into current profit or loss when the investee declares the dividend. At the balance sheet date, available-for-sale financial assets are measured at fair value and change in fair value shall be included in other comprehensive income. The difference between the amount received and the book value of the financial asset is included in the investment income upon disposal. Meanwhile, the corresponding accumulated change in fair value recognised in other comprehensive income is transferred into investment income.

(b) Classification of financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(ii) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of *"Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments",* as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognised directly in current profit or loss upon incurrence of impairment or de-recognition of the investment.

If, as a result of a change in intention or ability or a reliable measure of fair value is no longer available or because the two preceding financial years have passed since the reclassification of held-to-maturity to available-for-sale investment, it becomes appropriate to measure a financial asset at cost or amortised cost rather than at fair value, the fair value or carrying amount of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

In the case of a financial asset with a fixed maturity, the gain or loss related to the financial asset previously recoginsed in other comprehensive income shall be amortised to current profit or loss over the remaining life of the financial asset using the effective interest method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method and recognised in current profit or loss. In the case that a financial asset does not have a fixed maturity, the gain or loss related to the financial asset previously recoginsed in other comprehensive income shall remain in the equity and recognised in profit or loss when the financial asset is sold or otherwise disposed of.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

(i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meet the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

(ii) If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer. Otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contacts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity's own equity instruments.

(e) Transfer of Financial Assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(i) Derecognition of transferred financial assets

The financial assets should be derecognised if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The carrying amount of the transferred financial asset;
- The sum of the consideration received from the transfer and the cumulative amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values (In such circumstances，servicing asset shall be treated as a part that continues to be recognised）and the difference between the amounts of the following two items shall be recognised in current profit or loss:

- The carrying amount allocated to the part derecognised and;
- The sum of the consideration received for the part derecognised and any cumulative fair value change originally and directly recognised in other comprehensive income (where the financial asset transferred is an available-for-sale financial asset).

(ii) Continuing involvement in transferred financial assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and retains control of the transferred financial asset, the Company shall continue to recognise the transferred asset to the extent of its continuing involvement and also recognize an associated liability.

The extent of the entity's continuing involvement in the transferred financial asset is the extent to which it is exposed to changes in the value of the transferred asset.

(iii) Continuing recognise transferred financial assets

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability.

The financial asset and the associated liability shall not be offset. During the subsequent accounting period, the Company shall continue to recognise any income arising on the transferred financial asset and any expense incurred on the associated liability. If the transferred financial asset is measured at amortised cost, to designate a financial liability as at fair value through profit or loss is not applicable to the associated liability.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognised if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognised.

Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognise the existing financial liability, and shall at the same time recognise a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognise the existing financial liability totally or partly, and at the same time recognise the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offsetting if the following criteria are both satisfied.

(i) The Company has a legal right to offset the recognised amounts, and the right is executable at present; and

(ii) The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the transferred asset and the related liability.

(h) Impairment testing and impairment provision of financial assets

(i) Objective evidence for the impairment of the financial assets

- The issuer or debtor encounters serious financial difficulties;
- The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
- The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;
- The creditor is possible to bankrupt or execute other financial restructuration;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognisable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognised through overall assessment on them on the basis of public data;

- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged decline in the fair value of equity instrument.
- Other objective evidence that indicate impairment of financial assets.

(ii) Impairment provision of the financial assets (excluding receivables)

Financial assets at amortised cost

When the financial asset is impaired, the carrying amount of the financial asset shall be written down to the present value of its expected future cash flows (excluding future credit losses that have not occurred); the amount written down shall be recognised as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to maturity investment, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to maturity investment is initially recognised. For held-to maturity investment with floating interest rate, when calculate the present value of expected future cash flow, the current effective interest rate determined in the contract can be used as the discount rate.

When assesses the impairment of financial asset at amortised cost, the Company recognize the financial asset with the balance accounts for more than 5%（including 5%）of the total amount as financial asset with individually significant balance and the balance below 5% of the total amount as financial asset with individually insignificant balance.

When assesses the impairment of financial asset with individually significant balance, if there are objective evidences indicate the assets have impaired, the Company shall recognize the impairment loss and included in profit or loss; for financial asset with individually insignificant balance, the Company could assess the impairment individually or included in the financial asset group with the similar credit risk characteristics.

If the financial asset (including with individually significant and insignificant balance) is not impaired through the individual assessment, it shall be assessed again in the assessment of the financial asset group with the similar credit risk characteristics; if it has recognised the impairment through the individual assessment, then shall not be included in the assessment of the financial asset group with the similar credit risk characteristics.

If, in a subsequent period, the carrying amount of the financial asset at amortised cost increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed, included in current profit or loss. But the carrying amount after the reversal shall not exceed the amortised cost in assuming that no impairment loss been recognised at the date of reversal.

Impairment provision of available-for sale financial assets

For available-for sale financial assets that is impaired, when recognize the impairment loss, the cumulative loss arising from the decline in fair value that has been recognised previously in other comprehensive income shall be transferred out into the impairment loss of asset. After the available-for sale debt instrument is impaired, the interest revenue shall be calculated by using the discount rate that used to discount the future cash flows when determining the impairment loss.

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases and the increase is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed, and included in current profit or loss. Impairment loss of available-for sale equity instrument cannot be reversed through profit or loss.

(i) Method of determining the fair value of financial assets and financial liabilities

Method of determining the fair value of financial assets and financial liabilities please refer to Note 3.11

3.11 Fair Value Measurement

Fair value refers to 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.

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

- Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market approach, the income approach and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when relevant observable inputs is not available or practically would not be obtained. Observable inputs refer to the information which is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

- Fair value hierarchy

To Company establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

3.12 Receivables

Following accounts receivable accounting standard is applicable for year 2018 and before.

(a) Receivable with individually significant balance and recognised provision for bad debts individually

(i) Assessment basis or standard of amount individually significant

The amount of accounts receivable over RMB 2 million and other receivables over RMB 2 million is assessed individually significant.

(ii) Method of provision for bad debts of receivables which are individually significant

For accounts receivable with individually significant amount, the Company shall test impairment separately. After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables shall be recognised at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows and the provision for bad debts shall be recognised accordingly.

If the difference between expected future cash flows and the present value of short-term accounts receivable is very small, when determine the relevant impairment loss, the expected future cash flows may not be discounted.

(b) Receivables with provision for bad debts recognised on the basis of similar credit risk characteristics

Group 1: Except for the existence of objective evidence that the Company will not be able to recover the amount in accordance with the original terms of receivables, no provision for bad debts shall be made for the transactions between companies within the scope of the consolidated statement of receivables.

Group 2 For accounts receivables with individually significant amount but with no impairment indicated after a separate test, combined with the accounts receivables with individually insignificant amount, the Company use aging as the credit risk characteristic.

Provision method for bad debt provision by group 2: aging analysis method

Provision ratio for bad debts on the basis of aging analysis:

Aging	Provision ratio for accounts receivable%	Provision ratio for other receivables%
Within1year(including1year)		
Including:1-6months	1.00	1.00
7-12months	5.00	5.00
1-2years	10.00	10.00
2-3years	50.00	50.00
Over 3 years	100.00	100.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, if the provision for bad debts based on the aging analysis method cannot reflect the actual situation, they shall be separately assessed for impairment and recognise the impairment losses. Impairment loss shall be recognised at the difference between the carrying amount and the present value of estimated future cash flows and the provision for bad debts shall be recognised accordingly.

3.13 Inventories

(a) Classification of inventories

Inventories are finished goods or products held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, work in progress, semi-finished goods, finished goods, goods in stock, turnover material, etc.

(b) Measurement method of cost of inventories sold or used

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

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognised as provision for impairment of inventory, and recognised in current profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and impact of post balance sheet event shall be considered.

(i) In normal operation process, finished goods, products and materials for direct sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices. Net realizable value of materials held for sale shall be measured based on market price.

(ii) For materials in stock need to be processed, in the ordinary course of production and business, net realisable value is determined at the estimated selling price less the estimated costs of completion, the estimated selling expenses and relevant taxes. If the net realisable value of the finished products produced by such materials is higher than the cost, the materials shall be measured at cost; if a decline in the price of materials indicates that the cost of the finished products exceeds its net realisable value, the materials are measured at net realisable value and differences shall be recognised at the provision for impairment.

(iii) Provisions for inventory impairment are generally determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

(iv) If any factor rendering write-downs of the inventories has been eliminated at the reporting date, the amounts written down are recovered and reversed to the extent of the inventory impairment, which has been provided for. The reversal shall be included in profit or loss.

(e) Amortisation method of low-value consumables

Low-value consumables: One-off writing off method is adopted

Package material: One-off writing off method is adopted

3.14 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

(b) Determination of initial investment cost

(i) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognised as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For business combination not under common control, the assets paid, liabilities incurred or assumed and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognised as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognised in profit or loss as incurred.

(ii) Long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes.

Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognised as the initial investment cost.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained and the difference between initial investment cost and carrying amount of debts shall be recorded in current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(i) Cost method

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognises its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(ii) Equity method

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognises the share of the investee’s net profits or losses, as well as its share of the investee’s other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor’s share of the investee’s owners’ equity changes, other than those arising from the investee’s net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor’s equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee’s net profits or losses after making appropriate adjustments of investee’s net profit based on the fair values of the investee’s identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company’s accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as available-for sale investment, difference between its fair value and the carrying value, in addition to the cumulative changes in fair value previously recorded in other comprehensive income, shall be recogised into current profit or loss using equity method.

If the Company loses the joint control or significant influence of the investee for some reasons such as disposal of equity investment, the retained interest shall be measured at fair value and the difference between the carrying amount and the fair value at the date of loss the joint control or significant influence shall be recognised in profit or loss. When the Company discontinues the use of the equity method, the Company shall account for all amounts previously recognised in other comprehensive income under equity method in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

(d) Equity investment classified as held for sale

Any retained interest in the equity investment not classified as held for sale, shall be accounted for using equity method.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

(f) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or a joint venture, provision for impairment loss please refer to Note 3.20.

3.15 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both, including:
(i)Land use right leased out
(ii)Land held for transfer upon appreciation

(iii)Buildings leased out

(b) The measurement model of investment property

The Company adopts the cost model for subsequent measurement of investment properties. For provision for impairment please refer to Note 3.20.

The Company calculates the depreciation or amortization based on the net amount of investment property cost less the accumulated impairment and the net residual value using straight-line method.

3.16 Fixed Assets

Fixed assets refer to the tangible assets with higher unit price held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

(a) Recognition criteria of fixed assets

Fixed assets will only be recognised at the actual cost paid when obtaining as all the following criteria are satisfied:

(i) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

(ii) The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

(b) Depreciation methods of fixed assets

The Company begins to depreciate the fixed asset from the next month after it is available for intended use using the straight-line-method. The estimated useful life and annual depreciation rates which are determined according to the categories, estimated economic useful lives and estimated net residual rates of fixed assets are listed as followings:

Category	Depreciation method	Estimated useful life (year)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	straight-line-method	8.00-35.00	3.00-5.00	2.70-12.10
Machinery equipment	straight-line-method	5.00-10.00	3.00-5.00	9.50-19.40
Vehicles	straight-line-method	4.00	3.00	24.25
Office equipment and others	straight-line-method	3.00	3.00	32.33

For the fixed assets with impairment provided, the impairment provision should be excluded from the cost when calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the fixed assets shall be adjusted if it is changed compared to the original estimation.

(c) Recognition criteria, valuation and depreciation methods of fixed assets obtained through a finance lease

If the entire risk and rewards related to the leased assets have been substantially transferred, the Company shall recognise the lease as a finance lease. The cost of the fixed assets obtained through a finance lease is determined at the lower of the fair value of the leased assets and the present value of the minimum lease payment on the date of the lease. The fixed assets obtained by a finance lease are depreciated in the method which is consistent with the self-owned fixed assets of the Company. For fixed assets obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.17 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Recognition criteria and timing of transfer from construction in progress to fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.18 Borrowing Costs

(a) Recognition criteria and period for capitalization of borrowing costs

The Company shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets when meet the following conditions:

(i) Expenditures for the asset are being incurred;

(ii) Borrowing costs are being incurred, and;

(iii) Acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale are in progress.

Other borrowing cost, discounts or premiums on borrowings and exchange differences on foreign currency borrowings shall be recognized into current profit or loss when incurred.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognised as expenses when incurred.

(b) Capitalization rate and measurement of capitalized amounts of borrowing costs

When funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, the Company shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any interest income on bank deposit or investment income on the temporary investment of those borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowing.

3.19 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are recognised at actual cost at acquisition.

(b) The useful life and amortisation of intangible assets

(i) The estimated useful lives of the intangible assets with finite useful lives are as follows:

Category	Estimated useful life	Basis
Land use right	50 years	Legal life
Patent right	10 years	The service life is determined by reference

		to the period that can bring economic benefits to the Company
Software	3-5 years	The service life is determined by reference to the period that can bring economic benefits to the Company
Trademark	10 years	The service life is determined by reference to the period that can bring economic benefits to the Company

For intangible assets with finite useful life, the estimated useful life and amortisation method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurred in current year in the estimated useful life and amortisation method upon review.

(ii) Assets of which the period to bring economic benefits to the Company are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortisation of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition and systematically amortised on a straight-line basis over the useful life. The amortisation amount shall be recognized into current profit or loss according to the beneficial items. The amount to be amortised is cost deducting residual value. For intangible assets which has impaired, the cumulative impairment provision shall be deducted as well. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets with indefinite useful lives shall not be amortised. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated and the intangible assets shall be amortised systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

Preparation activities related to materials and other relevant aspects undertaken by the Company for the purpose of further development shall be treated as research phase. Expenditures incurred during the research phase of internal research and development projects shall be recognised in profit or loss when incurred.

Development activities after the research phase of the Company shall be treated as development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects shall be recognised as intangible assets only if all of the following conditions have been met:

(i) Technical feasibility of completing the intangible assets so that they will be available for use or sale;

(ii) Its intention to complete the intangible asset and use or sell it;

(iii) The method that the intangible assets generate economic benefits, including the Company can demonstrate the existence of a market for the output of the intangible assets or the intangible assets themselves or, if it is to be used internally, the usefulness of the intangible assets;

(iv) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(v) Its ability to measure reliably the expenditure attributable to the intangible asset.

3.20 Impairment of Long-Term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, investment properties, fixed assets and constructions in progress subsequently measured at cost, intangible assets, shall be determined according to following method:

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of an group of asset is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognised accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to relevant group of assets based on reasonable method; if it is difficult to allocate to relevant group of assets, good will shall be allocated to relevant combination of asset groups. The relevant group of assets or combination of asset groups is a group of assets or combination of asset groups that is benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and calculate the recoverable amount and recognize the impairment loss. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognise the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognised.

3.21 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortised over current and subsequent periods with the amortisation period exceeding one year. Long-term deferred expenses are evenly amortised over the beneficial period

3.22 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of decreased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee benefits are presented in the statement of financial position as “Employee benefits payable” and “Long-term employee benefits payable”.

(a) Short-term employee benefits

(i) Employee basic salary (salary, bonus, allowance, subsidy)

The Company recognises, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit except for those recognised as capital expenditure based on the requirement of accounting standards.

(ii) Employee welfare

The Company shall recognise the employee welfare based on actual amount when incurred into current profit or loss or related capital expenditure. Employee welfare shall be measured at fair value as it is a non-monetary benefit.

(iii) Social insurance such as medical insurance, work injury insurance and maternity insurance, housing funds, labor union fund and employee education fund

Payments made by the Company of social insurance for employees, such as medical insurance, work injury insurance and maternity insurance, payments of housing funds, and labor union fund and employee education fund accrued in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to required accrual bases and accrual ratio in determining the amount of employee benefits and the related liabilities, which shall be recognised in current profit or loss or the cost of relevant asset.

(iv) Short-term paid absences

The company shall recognise the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The Company shall recognise relevant employee benefit of non-accumulating paid absences when the absences actually occurred.

(v)Short-term profit-sharing plan

The Company shall recognise the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

(i) The Company has a present legal or constructive obligation to make such payments as a result of past events; and

(ii) A reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(i) Defined contribution plans

The Company shall recognise, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the current profit or loss or the cost of a relevant asset.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they shall be discounted using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined contribution obligations) to measure employee benefits payable.

(ii) Defined benefit plan

The present value of defined benefit obligation and current service costs

Based on the expected accumulative welfare unit method, the Company shall make estimates about demographic variables and financial variables in adopting the unbiased and consistent actuarial assumptions and measure defined benefit obligation, and determine the obligation period. The Company shall discount the obligation arising from defined benefit plan using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) in order to determine the present value of the defined benefit obligation and the current service cost.

The net defined benefit liability or asset

The net defined benefit liability (asset) is the deficit or surplus recognised as the present value of the defined benefit obligation less the fair value of plan assets (if any).

When the Company has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling.

The amount recognised in the cost of asset or current profit or loss

Service cost comprises current service cost, past service cost and any gain or loss on settlement. Other service cost shall be recognised in profit or loss unless accounting standards require or allow the inclusion of current service cost within the cost of assets.

Net interest on the net defined benefit liability (asset) comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling, shall be included in profit or loss.

The amount recognised in other comprehensive income

Changes in the net liability or asset of the defined benefit plan resulting from the remeasurements including:

- Actuarial gains and losses, the changes in the present value of the defined benefit obligation resulting from experience adjustments or the effects of changes in actuarial assumptions;
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability or asset;
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the Company may transfer those amounts recognised in other comprehensive income within equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

(i) When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.

(ii) When the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall discount the termination benefits using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) to measure the employee benefits.

(d) Other long-term employee benefits

(i) Meet the conditions of the defined contribution plan

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, all those benefits payable shall be accounted for as employee benefits payable at their discounted value.

(ii) Meet the conditions of the defined benefit plan

At the end of the reporting period, the Company recognised the cost of employee benefit from other long-term employee benefits as the following components:

- Service costs;
- Net interest cost for net liability or asset of other long-term employee benefits
- Changes resulting from the remeasurements of the net liability or asset of other long-term employee benefits

In order to simplify the accounting treatment, the net amount of above items shall be recognised in profit or loss or relevant cost of assets.

3.23 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognises the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

(i) That obligation is a current obligation of the Company;

(ii) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

(iii) The amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount shall be adjusted based on the updated best estimate.

3.24 Revenue

(a) Revenue from sale of goods

Revenue from sale of goods shall be recognised when the following criteria are satisfied:

(i) Significant risks and rewards related to ownership of the goods have been transferred to the buyer;

(ii) The Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;

(iii) Relevant amount of revenue can be measured reliably;

(iv) It is probable that the economic benefits associated with the transaction will flow into the Company; and

(v) Relevant amount of cost incurred or to be incurred can be measured reliably.

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

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method. Percentage of completion is determined based on the measurement of the work completed

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: i) the amount of revenue can be measured reliably; ii) it is probable that the associated economic benefits will flow to the Company; iii) the percentage of completion of the transaction can be measured reliably; iv) the costs incurred and to be incurred for the transaction can be measured reliably.

The Company shall determine the total revenue from rendering of services based on the received or receivable price stipulated in the contract or agreement, unless the received or receivable amount as stipulated in the contract or agreement is unfair. At the end of the reporting period, the Company shall recognise the revenue from rendering of the services in current period, based on the amount of multiplying the total amount of revenues from rendering of the services by the percentage of completion then deducting the accumulative revenues from rendering of the services that have been recognised in the previous accounting periods. At the same time, the Company shall recognise the current cost incurred for rendering of the services based on the amount of multiplying the total estimated cost for rendering of the services by the percentage of completion and then deducting the accumulative costs from rendering of the services that have been recognised in the previous accounting periods.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, the accounting treatment shall be based on the following circumstances, respectively:

(i) When the costs incurred are expected to be recovered, revenue shall be recognised to the extent of costs incurred and charge an equivalent amount of cost to the profit and loss;

(ii) When the costs incurred are not expected to be recovered, revenue shall not be recognised and the costs incurred are recognised into current profit or loss

(c) Revenue from alienating the right to use assets

When it is probable that the economic benefits associated with the transaction will flow into the Company and amount of revenue can be measured reliably, the Company shall recognise the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

(i) Interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or

(ii) The amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

3.25 Government Grants

(a) Recognition of government grants

A government grant shall not be recgonised until there is reasonable assurance that:

(i) The Company will comply with the conditions attaching to them; and

(ii) The grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at a nominal value of RMB 1.00 when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government grants pertinent to assets shall be recognised as deferred income, and should be recognised in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognised in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

If the government grants related to income are used to compensate the enterprise’s relevant expenses or losses in future periods, such government grants shall be recognised as deferred income and included into profit or loss in the same period as the relevant expenses or losses are recognised;

If the government grants related to income are used to compensate the enterprise’s relevant expenses or losses incurred, such government grants are directly recognised into current profit or loss

For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.

Government grants related to daily operation activities are recognised in other income in accordance with the nature of the activities, and government grants irrelevant to daily operation activities are recognised in non-operating income.

(iii) Loan interest subsidy

When loan interest subsidy is allocated to the bank, and the bank provides a loan at lower-market rate of interest to the Company, the loan is recognised at the actual received amount, and the interest expense is calculated based on the principal of the loan and the lower-market rate of interest.

When loan interest subsidy is directly allocated to the Company, the subsidy shall be recognised as offsetting the relevant borrowing cost.

(iv) Repayment of the government grants

Repayment of the government grants shall be recorded by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, any excess will be recognised into current profit or loss; or directly recognised into current profit or loss for other circumstances.

3.26 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the balance sheet date. The Company recognise and measure the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognised for deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits can be utilised at the tax rates that are expected to apply to the period when the asset is realised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(i) Is not a business combination; and

(ii) At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, only to the extent that, it is probable that:

(i) The temporary difference will reverse in the foreseeable future; and

(ii) Taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognises a previously unrecognised deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognised for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled.

(i) No deferred tax liability shall be recognised for taxable temporary differences arising from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

(ii) An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that both of the following conditions are satisfied:

- The Company is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognised, and simultaneously, goodwill recognised in the business combination shall be adjusted based on relevant deferred tax expense (income).

(ii) Items directly recognised in equity

Current tax and deferred tax related to items that are recognised directly in equity shall be recognised in equity. Such items include: other comprehensive income generated from fair value fluctuation of available for sale investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

(iii) Unused tax losses and unused tax credits

Unsused tax losses and unused tax credits generated from daily operation of the Company itself

Deductible loss refers to the loss calculated and permitted according to the requirement of tax law that can be offset against taxable income in future periods. The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognising deferred tax assets arising from deductible temporary differences. The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. Income taxes in current profit or loss shall be deducted as well.

Unsused tax losses and unused tax credits arising from a business combination

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognised. Within 12 months after the acquisition date, if new information regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realised, the Company shall recognise acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any remaining deferred tax benefits shall be recognised in profit or loss. All other acquired deferred tax benefits realised shall be recognised in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognised in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognised directly in equity and business combination.

(v) Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognised according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognised when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognised according to the accounting standards, the tax effect of the excess amount shall be recognised directly in equity.

3.27 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting polices

On 30 April 2019，Ministry of Finance announced the "*Notice of Revising and Issuing the Format of Financial Statements of General Enterprises for 2019*" (Caikuai [2019] No.6) and required enterprise which adopted the new financial instrument standard but not yet adopt the new revenue standard and new lease standard to prepare the financial statements according to the following requirements：

In the statement of financial position, "Notes receivable and Accounts receivable" are split into "Notes receivable" and "Accounts receivable"; "Accounts receivable financing" are added to reflect the notes receivable and accounts receivable which measured at fair value through other comprehensive income on balance sheet date; “Notes payable and Accounts payable” are split into “Notes payable” and “Accounts payable”;

In the statement of comprehensive income, “Gains /(losses) from derecognition of financial assets measured at amortised cost” are added under the “Investment income/(losses)”.

On 19 September 2019, the Ministry of Finance issued “*Notice of Revising and Issuing the Format of Consolidated Financial Statements for 2019*” (Caikuai [2019] No. 16), as a complement of the announcement Caikuai [2019] No. 6.

The Company has prepared comparative financial statements in accordance with the requirement of Caikuai [2019] No. 6 and and Caikuai [2019] No. 16, and changed the presentation by retrospective adjustment method.

On 31 March 2017, the Ministry of Finance issued “*Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017)*” (Caikuai [2017] No. 7), “*Accounting Standard for Business Enterprises No. 23 - Transfer of financial assets (Revised in 2017)* ”(Caikuai [2017] No. 8), “*Accounting Standards for Business Enterprises No. 24 - Hedging (Revised in 2017)*” (Caikuai [2017] No. 9). On 2 May 2017, the Ministry of Finance issued “*Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (Revised in 2017)*” (Caikuai [2017] No. 14) (the above standards are collectively referred to as the “*New Financial Instruments Standards*”). Domestic listed companies are required to implement the new financial instruments standards from 1 January 2019. The Company implemented the above mentioned new financial instrument standards on 1January 2019, and adjusted the relevant contents of accounting policies. Details please refer to Note 3.10.

If the recognition and measurement of financial instruments before 1 January 2019 was inconsistent with the requirements of the new financial instruments’ standards, the Company retroactively adjusted the classification and measurement (including impairment) of the financial instruments in accordance with the new financial instrument standards. The difference between the original carrying amount of the financial instrument and the new carrying amount on the date of implementation of the new financial instruments’ standards (i.e. 1 January 2019) was recognised in retained earnings or other comprehensive income at 1 January 2019. At the same time, the company did not adjust the comparative financial statement data.

(b) Significant changes in accounting estimates

The Company has no significant changes in accounting estimates for the reporting period.

(c) Adjustments of the financial statements at the beginning of the reporting period for the first year adoption of new financial instruments standards.

Consolidated Financial Statements

Unit: Yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash and cash equivalents	1,705,760,865.12	1,705,760,865.12	-
Held-for-trading financial assets	N/a.	2,965,016,000.42	2,965,016,000.42
Financial assets at fair value through profit or loss	622,892.96	N/a.	-622,892.96
Notes receivable	1,347,427,811.34	1,347,427,811.34	-
Accounts receivable	29,748,068.74	29,748,068.74	-
Advances to suppliers	182,558,000.75	182,558,000.75	-
Other receivables	43,342,878.22	43,342,878.22	-
Including: Interests receivable	24,923,178.08	24,923,178.08	-
Dividend receivable	-	-	
Inventories	2,407,306,664.86	2,407,306,664.86	-
Non-current assets maturing within one year	300,000,000.00	300,000,000.00	-
Other current assets	3,012,478,687.20	254,478,687.20	-2,758,000,000.00
Total current assets	9,029,245,869.19	9,235,638,976.65	206,393,107.46 -
Non-current assets:			
Available-for-sale financial assets	206,393,107.46	N/a.	-206,393,107.46
Long-term equity investments	4,900,000.00	4,900,000.00	-
Investment properties	5,027,228.53	5,027,228.53	-
Fixed assets	1,763,988,530.56	1,763,988,530.56	-
Construction in progress	93,320,557.56	93,320,557.56	-
Intangible assets	742,083,609.10	742,083,609.10	-
Goodwill	478,283,495.29	478,283,495.29	-
Long-term deferred expenses	83,561,473.46	83,561,473.46	-
Deferred tax assets	86,580,171.06	86,580,171.06	-
Other non-current assets	16,544,407.51	16,544,407.51	-
Total non-current assets	3,480,682,580.53	3,274,289,473.07	-206,393,107.46
Total assets	12,509,928,449.72	12,509,928,449.72	-
Current liabilities			
Notes payable	349,203,413.72	349,203,413.72	-

Items	31 December 2018	1 January 2019	Adjustment
Trade payables	484,952,598.59	484,952,598.59	-
Advances from customers	1,149,143,310.48	1,149,143,310.48	-
Employee benefits payable	457,299,476.43	457,299,476.43	-
Taxes payable	372,993,624.18	372,993,624.18	-
Other payables	1,192,020,147.82	1,192,020,147.82	-
Including: Interests payables	-	-	
Dividend payables	-	-	
Other current liabilities	295,164,745.44	295,164,745.44	-
Total current liabilities	4,300,777,316.66	4,300,777,316.66	-
Deferred income	76,636,500.55	76,636,500.55	-
Deferred tax liabilities	102,764,515.11	102,764,515.11	-
Total non-current liabilities	179,401,015.66	179,401,015.66	-
Total liabilities	4,480,178,332.32	4,480,178,332.32	-
Owners' equity			
Share capital	503,600,000.00	503,600,000.00	-
Capital reserves	1,295,405,592.25	1,295,405,592.25	-
Other comprehensive income	4,794,830.59	--	-4,794,830.59
Surplus reserves	256,902,260.27	256,902,260.27	-
Retained earnings	5,541,281,341.47	5,546,076,172.06	4,794,830.59
Total owner's equity attributable to parent company	7,601,984,024.58	7,601,984,024.58	-
Non-controlling interests	427,766,092.82	427,766,092.82	-
Total owners' equity	8,029,750,117.40	8,029,750,117.40	-
Total liabilities and owners' equity	12,509,928,449.72	12,509,928,449.72	-

Financial Statements of Parent Company

Unit: Yuan Currency: RMB

Items	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash and cash equivalents	1,078,172,917.59	1,078,172,917.59	-
Held-for-trading financial assets	N/a.	1,807,016,000.42	-1,807,016,000.42

Items	31 December 2018	1 January 2019	Adjustment
Financial assets at fair value through profit or loss	622,892.96	N/a.	-622,892.96
Notes receivable	1,256,336,386.34	1,256,336,386.34	-
Accounts receivable	9,385,950.54	9,385,950.54	-
Advances to suppliers	10,869,911.54	10,869,911.54	-
Other receivables	110,800,665.19	110,800,665.19	-
Including: Interests receivable	-	-	
Dividend receivable	-	-	
Inventories	2,125,826,967.11	2,125,826,967.11	-
Other current assets	1,764,267,968.83	164,267,968.83	-1,600,000,000.00
Total current assets	6,356,283,660.10	6,562,676,767.56	206,393,107.46
Non-current assets:			
Available-for-sale financial assets	206,393,107.46	N/a.	-206,393,107.46
Long-term equity investments	1,148,213,665.32	1,148,213,665.32	-
Investment properties	24,715,657.40	24,715,657.40	-
Fixed assets	1,290,714,455.79	1,290,714,455.79	-
Construction in progress	86,634,753.93	86,634,753.93	-
Intangible assets	189,968,142.25	189,968,142.25	-
Long-term deferred expenses	56,643,945.05	56,643,945.05	-
Deferred tax assets	37,415,458.17	37,415,458.17	-
Other non-current assets	12,474,026.00	12,474,026.00	-
Total non-current assets	3,053,173,211.37	2,846,780,103.91	-206,393,107.46
Total assets	9,409,456,871.47	9,409,456,871.47	-
Current liabilities:			
Notes payable	28,648,913.72	28,648,913.72	-
Trade payables	362,290,556.21	362,290,556.21	-
Advances from customers	1,123,125,892.84	1,123,125,892.84	-
Employee benefits payable	117,748,485.96	117,748,485.96	-
Taxes payable	161,176,957.25	161,176,957.25	-
Other payables	372,902,293.22	372,902,293.22	-

Items	31 December 2018	1 January 2019	Adjustment
Including: Interests payables	-	-	
Dividend payables	-	-	
Other current liabilities	32,605,794.55	32,605,794.55	-
Total current liabilities	2,198,498,893.75	2,198,498,893.75	-
Non-current liabilities:			
Deferred income	36,417,554.85	36,417,554.85	-
Deferred tax liabilities	4,828,737.52	4,828,737.52	-
Total non-current liabilities	41,246,292.37	41,246,292.37	-
Total liabilities	2,239,745,186.12	2,239,745,186.12	-
Owners' equity			
Share capital	503,600,000.00	503,600,000.00	-
Capital reserves	1,247,162,107.35	1,247,162,107.35	-
Other comprehensive income	4,794,830.59	-	-4,794,830.59
Surplus reserves	251,800,000.00	251,800,000.00	-
Retained earnings	5,162,354,747.41	5,167,149,578.00	4,794,830.59
Total owners' equity	7,169,711,685.35	7,169,711,685.35	-
Total liabilities and owners' equity	9,409,456,871.47	9,409,456,871.47	-

(d) Retrospective restatement of previous comparative data for the first adoption of new financial instruments standards

(i)At 1 January 2019, the comparative statements of classification and measurement for financial assets before and after the adoption of new financial instruments standards

Consolidated Financial Statements

31 December 2018 (Original financial instruments standard)			1 January 2019 (New financial instruments standard)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Cash and cash equivalents	Amortised cost	1,705,760,865.12	Cash and cash equivalents	Amortised cost	1,705,760,865.12
Financial assets at fair value through profit or loss	Fair value through profit or loss	622,892.96	Held-for-trading financial assets	Fair value through profit or loss	622,892.96
Notes receivable	Amortised cost	1,347,427,811.34	Notes receivable	Amortised cost	1,347,427,811.34

31 December 2018 (Original financial instruments standard)			1 January 2019 (New financial instruments standard)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Accounts receivable	Amortised cost	29,748,068.74	Accounts receivable	Amortised cost	29,748,068.74
Other receivables	Amortised cost	43,342,878.22	Other receivables	Amortised cost	43,342,878.22
Available-for-sale financial assets	Fair value through other comprehensive income (equity instrument)	206,393,107.46	Held-for-trading financial assets	Fair value through profit or loss	206,393,107.46
Other current assets	Amortised cost	3,012,478,687.20	Held-for-trading financial assets	Fair value through profit or loss	2,758,000,000.00
			Other current assets	Amortised cost	254,478,687.20
Other non-current assets	Amortised cost	16,544,407.51	Other non-current assets	Amortised cost	16,544,407.51

Financial Statements of Parent Company

31 December 2018 (Original financial instruments standard)			1 January 2019 (New financial instruments standard)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Cash and cash equivalents	Amortised cost	1,078,172,917.59	Cash and cash equivalents	Amortised cost	1,078,172,917.59
Financial assets at fair value through profit or loss	Fair value through profit or loss	622,892.96	Held-for-trading financial assets	Fair value through profit or loss	622,892.96
Notes receivable	Amortised cost	1,256,336,386.34	Notes receivable	Amortised cost	1,256,336,386.34
Accounts receivable	Amortised cost	9,385,950.54	Accounts receivable	Amortised cost	9,385,950.54
Other receivables	Amortised cost	110,800,665.19	Other receivables	Amortised cost	110,800,665.19

31 December 2018 (Original financial instruments standard)			1 January 2019 (New financial instruments standard)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Other current assets	Amortised cost	1,764,267,968.83	Held-for-trading financial assets	Fair value through profit or loss	1,600,000,000.00
			Other current assets	Amortised cost	164,267,968.83
Available-for-sale financial assets	Fair value through other comprehensive income (equity instrument)	206,393,107.46	Held-for-trading financial assets	Fair value through profit or loss	206,393,107.46
Other non-current assets	Amortised cost	12,474,026.00	Other non-current assets	Amortised cost	12,474,026.00

(ii)At 1 January 2019, adjustments for carrying amount of original financial assets according to new financial instruments standards

Consolidated Financial Statements

Items	Carrying amount at 31 December 2018 (Original financial instruments standards)	Reclassification	Remeasurement	Carrying amount at 1 January 2019 (New financial instruments standards)
Financial assets measured at fair value through profit or loss based on new financial instruments standards				
Financial assets at fair value through profit or loss	622,892.96	-	-	-
Other current assets	2,758,000,000.00	-	-	-
Add: Transfer from available-for-sale financial assets	-	206,393,107.46	-	-
Held-for-trading financial assets	-	-	-	2,965,016,000.42

Financial Statements of Parent Company

Items	Carrying amount at 31 December 2018 (Original financial instruments standards)	Reclassification	Remeasurement	Carrying amount at 1 January 2019 (New financial instruments standards)
Financial assets measured at fair value through profit or loss based on new financial instruments standards				
Financial assets at fair value through profit or loss	622,892.96	-	-	-
Other current assets	1,600,000,000.00	-	-	-
Add: Transfer from available-for-sale financial assets	-	206,393,107.46		
Held-for-trading financial assets	-	-	-	1,807,016,000.42

(iii)At 1 January 2019, adjustments for impairment provision of original financial assets according to new financial instruments standards

Consolidated Financial Statements

Items	Carrying amount at 31 December 2018 (Original financial instruments standards)	Reclassification	Remeasurement	Carrying amount at 1 January 2019 (New financial instruments standards)
Financial assets measured at amortised cost				
Including: Impairment provision of notes receivable	-	-	-	-
Impairment provision of accounts receivable	649,289.27	-	-	649,289.27
Impairment provision of other receivables	42,374,086.73	-	-	42,374,086.73

Financial Statements of Parent Company

Items	Carrying amount at 31 December 2018 (Original financial instruments standards)	Reclassification	Remeasurement	Carrying amount at 1 January 2019 (New financial instruments standards)
Financial assets measured at amortised cost				
Including: Impairment provision of notes receivable	-	-	-	-
Impairment provision of accounts receivable	141,121.87	-	-	141,121.87
Impairment provision of other receivables	41,631,537.21	-	-	41,631,537.21

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate
Value added tax (VAT)	Output VATs are calculated and paid on taxable revenues at a tax rateof 13%（16%）or 10% or 6%, and VATs are paid at the net amounts after deducting input VATs for the reporting period	13%（16%）、10%、6%
Consumption taxes	The consumption taxes are paid on the taxable sales	For the liquor sold, the ad valorem consumption tax shall be calculated and paid as RMB 1.00 yuan per kilogram or 1000ml, and the ad valorem consumption tax shall be calculated and paid as per 20% of the taxable sales
Urban maintenance and construction tax	Urban maintenance and construction taxes are paid on turnover taxes	7%、5%

Educational surcharge	Educational surcharges are paid on turnover taxes	3%
Local educational surcharge	Local educational surcharges are paid on turnover taxes	2%
Enterprise income tax	Business taxes are calculated and paid on taxable revenues	25%

4.2 Tax Preference

(i) According to *Response Letter for the First Batch of High-tech Enterprises to be put on record in Anhui Province for 2019* (guokehuozi [2019] No.216) issued by Department of Science and Technology of Anhui province, Department of Finance of Anhui province, and Anhui Provincial Taxation Bureau of State Administration of Taxation, the subsidiary Longrui Glass was identified as a high-tech enterprise in 2019, therefore was given *High-tech Enterprise Certificate* (Certificate Number: GR201934001625) which is valid for 3 years. According to *Enterprise Income Tax Law* and other relevant regulations, the company is subject to a national high-tech enterprise income tax rate at 15% for three years from January 1, 2019 to December 31, 2021.

(ii) According to *Response Letter for the First Batch of High-tech Enterprises to be put on record in Anhui Province for 2019* (guokehuozi [2019] No.216) issued by Department of Science and Technology of Anhui province, Department of Finance of Anhui province, and Anhui Provincial Taxation Bureau of State Administration of Taxation, the subsidiary Ruisiweier was identified as a high-tech enterprise in 2019, therefore was given *High-tech Enterprise Certificate* (Certificate Number: GR201934000355) which is valid for 3 years. According to *Enterprise Income Tax Law* and other relevant regulations, the company is subject to a national high-tech enterprise income tax rate at 15% for three years from January 1, 2019 to December 31, 2021.

(iii) According to *Response Letter for the Second Batch of High-tech Enterprises to be put on record in Hubei Province for 2018* (guokehuozi [2019] No.43) issued by Department of Science and Technology of Hubei province, Department of Finance of Hubei province, and Hubei Provincial Taxation Bureau of State Administration of Taxation, the subsidiary Yashibo was identified as a high-tech enterprise in 2018, therefore was given *High-tech Enterprise Certificate*

(Certificate Number:GR201842002339) which is valid for 3 years. According to *Enterprise Income Tax Law* and other relevant regulations, the company is subject to a national high-tech enterprise income tax rate at 15% for three years from January 1, 2018 to December 31, 2020.

(iv) According to *Notice from Ministry of Finance and State Administration of Taxation on the Implementation of Inclusive Tax Reduction Policy for Small and Micro Enterprises* (Caishui [2019] No.13), from January 1, 2019 to December 31, 2021 the portion of the enterprise's annual taxable income which does not exceed 1 million yuan is reduced to 25% as taxable income, and income tax is paid at a tax rate of 20%. For the annual taxable income of more than 1 million yuan but not more than 3 million yuan, this part is reduced to 50% as taxable income, income tax is paid at the rate of 20%. The subsidiaries Gujing waste company, Junhe Advertising and Yellow Crane Tower Beverage meet the condition of annual taxable income not exceeding 1 million yuan while actual tax rate in 2019 was 5%. The subsidiary Zhenrui Construction meets the condition of annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan while actual tax rate for 2019 was 10%.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 December 2019	31 December 2018
Cash on hand	292,465.36	353,429.67
Cash in bank	5,618,712,121.81	1,705,175,643.46
Other monetary funds	745,330.92	231,791.99
Total	5,619,749,918.09	1,705,760,865.12

Notes: (i) At 31 December 2019, the structural deposits that cannot be withdrawn in advance amounted to RMB 2,263 million, fixed deposits that cannot be withdrawn in advance totaled 100 million yuan, and fixed deposits used to pledge and issue bank acceptance bills totaled RMB 312 million. Except for that, no other monetary funds are restricted to use or in some potential risks of recovery due to the mortgage, pledge or freezing;

(ii)The closing balance has increased by 229.46%, which is mainly due to the increase of collection of sales receivables as well as the decrease of closing balance of financial products investment.

5.2 Held-for-trading financial assets

Items	31 December 2019	31 December 2018
Financial Assets at Fair Value through Profit or Loss	509,031,097.02	-
Including: bank financial products	297,146,591.78	-
Fund investment	211,884,505.24	-
Total	509,031,097.02	-

Note: The closing balance has increased RMB 509,031,097.02 yuan, mainly due to reclassify bank financial products and fund investment to held-for-trading assets according to implemention of the new financial instrument standard since January 1, 2019.

5.3 Financial Assets at Fair Value through Profit or Loss

Items	31 December 2019	31 December 2018
Held-for-trading financial assets:		622,892.96
Including: Equity instruments investment	-	622,892.96
Total	-	622,892.96

Note: The closing balance decreased RMB 622,892.96 yuan compared to the end of 2018, mainly due to disposal of equity instruments investment in 2019.

5.4 Notes Receivable

(a) Notes receivable by category

Items	31 December 2019			31 December 2018		
	Book Balance	Provision for bad debt	Carrying amount	Book Balance	Provision for bad debt	Carrying amount
Bank acceptance bills	1,002,758,533.39	-	1,002,758,533.39	1,347,427,811.34	-	1,347,427,811.34
Commercial acceptance bills	1,493,836.54	34,938.37	1,458,898.17	-	-	-
Total	1,004,252,369.93	34,938.37	1,004,217,431.56	1,347,427,811.34	-	1,347,427,811.34

(b) Pledged notes receivable at 31 December 2019

Items	Pledged amount
Bank acceptance bills	349,377,134.82
Total	349,377,134.82

(c) Notes receivable discounted or endorsed to third parties but not yet matured at 31 December 2019

Items	Amount of derecognition	Amount of recognition
Bank acceptance bills	1,185,260,793.87	-
Total	1,185,260,793.87	-

Note: The issuing bank of the bank acceptance bill of the Company for endorsement or discount are commercial banks with higher credit. Therefore, when the bank acceptance bills are mature, they are likely to get paid. The interest rate risk related to the bill has been transferred to the bank, so it can be judged that the main risks and rewards of the bill ownership have been transferred, so need to be derecogised.

(d) The company has no notes receivable transferred to accounts receivable due to drawers' inability of fulfillment at 31 December 2019

(e) Notes receivable by bad debt provision method

Category	31 December 2019				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognised collectively	1,004,252,369.93	100.00	34,938.37	0.00	1,004,217,431.56
Including: Group 1	1,493,836.54	0.15	34,938.37	2.34	1,458,898.17
Group 2	1,002,758,533.39	99.85	-	-	1,002,758,533.39
Total	1,004,252,369.93	100.00	34,938.37	0.00	1,004,217,431.56

(i)At 31 December 2019, notes receivable with provision for bad debt recognised by group 1

Name	31 December 2019		
	Notes receivable	Provision for bad debt	Provision ratio (%)

Name	31 December 2019		
	Notes receivable	Provision for bad debt	Provision ratio (%)
Within 1 year	1,493,836.54	34,938.37	
Including:1-6months	993,836.54	9,938.37	1.00
7-12months	500,000.00	25,000.00	5.00
Total	1,493,836.54	34,938.37	2.34

(ii)Notes receivable with provision for bad debt recognised by group 2

At 31 December 2019, the Company measured provision for bad debt of bank acceptance bill according to the lifetime expected credit loss. The Company believes that no significant credit risk exists in the bank acceptance bills and no significant losses arises from default risk of banks or other issuer’ failure of fulfillment.

For details of recognition criteria and explanation for provision of bad debt, please refer to Notes 3.10.

(f) Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Commercial acceptance bills	-	-	-	34,938.37	-	-	34,938.37
Total	-	-	-	34,938.37	-	-	34,938.37

(g) The company has no notes receivable write-off during the reporting period

5.5 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 December 2019	31 December 2018
Within one year	41,004,875.62	29,725,877.02
Including:1-6months	37,333,246.24	26,516,294.24
7-12months	3,671,629.38	3,209,582.78
1-2 years	365,118.07	497,593.12

Aging	31 December 2019	31 December 2018
2-3 years	-	-
Over 3 years	141,121.87	173,887.87
Subtotal	41,511,115.56	30,397,358.01
Less: provision for bad debt	734,547.60	649,289.27
Total	40,776,567.96	29,748,068.74

(b) Accounts receivable by bad debt provision method

(i) At 31 December 2019

Category	31 December 2019				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	41,511,115.56	100.00	734,547.60	1.77	40,776,567.96
Including: Group1	-	-	-	-	-
Group2	41,511,115.56	100.00	734,547.60	1.77	40,776,567.96
Total	41,511,115.56	100.00	734,547.60	1.77	40,776,567.96

(ii) At 31 December 2018

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognised individually	-	-	-	-	-
Accounts receivable with bad debt provision recognised collectively by similar credit	30,397,358.01	100.00	649,289.27	2.14	29,748,068.74

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognised individually	-	-	-	-	-
risk characteristics					
Accounts receivable with individually insignificant balance but provision for bad debt recognised individual	-	-	-	-	-
Total	30,397,358.01	100.00	649,289.27	2.14	29,748,068.74

At 31 December 2019, accounts receivable with bad debt provision recognised by group 2

Aging	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	41,004,875.62	556,913.92	1.36
Including:1-6months	37,333,246.24	373,332.45	1.00
7-12months	3,671,629.38	183,581.47	5.00
1-2 years	365,118.07	36,511.81	10.00
2-3 years	-	-	-
Over 3 years	141,121.87	141,121.87	100.00
Total	41,511,115.56	734,547.60	1.77

For details of recognition criteria and explanation for provision for bad debt by group, please refer to Notes 3.10.

At 31 December 2018, accounts receivable with bad debt provision recognised by aging analysis

Aging	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	29,725,877.02	425,642.08	1.43
Including:1-6months	26,516,294.24	265,162.94	1.00

Aging	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
7-12months	3,209,582.78	160,479.14	5.00
1-2 years	497,593.12	49,759.32	10.00
2-3 years	-	-	-
Over 3 years	173,887.87	173,887.87	100.00
Total	30,397,358.01	649,289.27	2.14

For details of recognition criteria and explanation for provision for bad debt by group, please refer to Notes 3.12.

(c) Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Accounts receivable with individually insignificant balance but provision for bad debt recognised individual	-	-	-	-	-	-	-
Group2: Provision for bad debt recognized collectively	649,289.27	-	649,289.27	175,624.33		90,366.00	734,547.60
Total	649,289.27	-	649,289.27	175,624.33		90,366.00	734,547.60

(d) Top five closing balances by entity

Entity name	Balance at 31 December 2019	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
No. 1	3,979,721.98	9.59	39,797.22
No. 2	3,748,388.91	9.03	37,483.89
No. 3	3,564,484.80	8.59	40,405.49
No. 4	2,529,753.91	6.09	25,297.54
No. 5	2,432,000.00	5.86	24,320.00
Total	16,254,349.60	39.16	167,304.14

(e) The closing balance has increased by 37.07% compared with the end of 2018, mainly due to the growth of business scale of the Company.

5.6 Advances to Suppliers

(a) Advances to suppliers by aging

Aging	31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	196,781,962.46	99.66	182,122,465.92	99.76
1 to 2 years	647,771.50	0.33	145,534.83	0.08
2 to 3 years	-	-	-	-
Over 3 years	23,580.00	0.01	290,000.00	0.16
Total	197,453,313.96	100.00	182,558,000.75	100.00

(b) Top five closing balances by entity

Entity name	Balance at 31 December 2019	Proportion of the balance to the total advances to suppliers (%)
No. 1	155,120,800.50	78.56
No. 2	3,228,301.96	1.63
No. 3	1,456,310.68	0.74
No. 4	1,437,916.44	0.73
No. 5	841,273.23	0.43
Total	162,084,602.81	82.09

5.7 Other Receivables

(a) Other receivables by category

Items	31 December 2019	31 December 2018
Interest receivable	1,908,788.81	24,923,178.08
Dividend receivable	-	-
Other receivables	23,838,168.41	18,419,700.14
Total	25,746,957.22	43,342,878.22

(b) Interest receivable

(i) Interest receivable by category

Items	31 December 2019	31 December 2018
Interest on large-denomination certificates of deposit	1,908,788.81	24,923,178.08
Less: Provision for bad debt	-	-
Total	1,908,788.81	24,923,178.08

(c) Other Receivables

(i) Other receivables by aging

Aging	31 December 2019	31 December 2018
Within one year	21,391,891.49	17,617,762.53
Including:1-6months	16,704,667.12	16,726,199.24
7-12months	4,687,224.37	891,563.29
1-2 years	2,804,920.23	934,319.75
2-3 years	646,513.23	345,780.00
Over 3 years	42,087,287.44	41,895,924.59
Subtotal	66,930,612.39	60,793,786.87
Less: provision for bad debt	43,092,443.98	42,374,086.73
Total	23,838,168.41	18,419,700.14

(ii) Other receivables by nature

Nature	31 December 2019	31 December 2018
Investment in securities	40,850,949.35	40,850,949.35

Nature	31 December 2019	31 December 2018
Deposit and guarantee	5,343,741.34	4,749,457.78
Borrowing for business trip expenses	884,420.74	426,435.85
Rent, utilities and gasoline charges	8,479,446.65	6,786,659.62
Others	11,372,054.31	7,980,284.27
Subtotal	66,930,612.39	60,793,786.87
Less: provision for bad debt	43,092,443.98	42,374,086.73
Total	23,838,168.41	18,419,700.14

(iii) Other receivables by bad debt provision method

A. At 31 December 2019, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying acount
Stage 1	26,079,663.04	2,241,494.63	23,838,168.41
Stage 2	-	-	-
Stage 3	40,850,949.35	40,850,949.35	-
Total	66,930,612.39	43,092,443.98	23,838,168.41

A1. At 31 December 2019, provision for bad debt at stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognised collectively	26,079,663.04	8.59	2,241,494.63	23,838,168.41	26,079,663.04
Including: Group1	-	-	-	-	-
Group2	26,079,663.04	8.59	2,241,494.63	23,838,168.41	26,079,663.04
Total	26,079,663.04	8.59	2,241,494.63	23,838,168.41	26,079,663.04

At 31 December 2019, other receivables with bad debt provision recognised collectively by group 2

Aging	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Within one year	21,391,891.49	401,407.90	1.88
Including:1-6months	16,704,667.12	167,046.67	1.00
7-12months	4,687,224.37	234,361.23	5.00
1-2 years	2,804,920.23	280,492.02	10.00
2-3 years	646,513.23	323,256.62	50.00
Over 3 years	1,236,338.09	1,236,338.09	100.00
Total	26,079,663.04	2,241,494.63	8.59

A2. At 31 December 2019, provision for bad debt at stage 3:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually	40,850,949.35	100.00	40,850,949.35	-	40,850,949.35
Provision for bad debt recognised collectively	-	-	-	-	-
Including: Group1	-	-	-	-	-
Group2	-	-	-	-	-
Total	40,850,949.35	100.00	40,850,949.35	-	40,850,949.35

A3.1. At 31 December 2019, other receivables with provision for bad debt recognised individually

Entity name	31 December 2019			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Hengxin Securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	The enterprise enters the bankruptcy liquidation procedure
Jianqiao Securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	The enterprise enters the bankruptcy

				liquidation procedure
Total	40,850,949.35	40,850,949.35	100.00	

B．At 31 December 2018, provision for bad debt using incurred loss model：

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognised individually	40,850,949.35	67.20	40,850,949.35	100.00	-
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	19,942,837.52	32.80	1,523,137.38	7.64	18,419,700.14
Other receivable with individually insignificant balance but recognised provision for bad debt individually	-	-	-	-	-
Total	60,793,786.87	100.00	42,374,086.73	69.70	18,419,700.14

B1. At 31 December 2018, other receivables with individually significant balance and provision for bad debt recognised individually

Entity name	31 December 2018			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Hengxin Securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	The enterprise enters the bankruptcy liquidation procedure
Jianqiao Securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	The enterprise enters

Entity name	31 December 2018			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
				the bankruptcy liquidation procedure
Total	40,850,949.35	40,850,949.35	100.00	

B2. At 31 December 2018, other receivables with bad debt provision recognised collectively by aging analysis:

Aging	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	17,617,762.53	211,840.16	1.20
Including:1-6months	16,726,199.24	167,261.99	1.00
7-12months	891,563.29	44,578.17	5.00
1-2 years	934,319.75	93,431.98	10.00
2-3 years	345,780.00	172,890.00	50.00
Over 3 years	1,044,975.24	1,044,975.24	100.00
Total	19,942,837.52	1,523,137.38	7.64

(iv) Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Provision for bad debt recognised individually	40,850,949.35	-	40,850,949.35	-	-	-	40,850,949.35
Provision for bad debt recognised collectively	1,523,137.38	-	1,523,137.38	722,167.14	-	3,809.89	2,241,494.63
Total	42,374,086.73	-	42,374,086.73	722,167.14	-	3,809.89	43,092,443.98

(v) Top five closing balances by entity

Entity name	Nature	Balance at 31 December 2019	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
No. 1	Securities investment	29,010,449.35	Over 3 years	43.34	29,010,449.35
No. 2	Securities investment	11,840,500.00	Over 3 years	17.69	11,840,500.00
No. 3	Others	1,814,794.17	Within 6 months	2.71	18,147.94
No. 4	Security deposit	500,000.00	Within 6 months	0.75	5,000.00
No. 5	Security deposit	350,000.00	7-12months	0.52	17,500.00
Total	——	43,515,743.52	——	65.01	40,891,597.29

（vi）The closing balance has decreased by 40.60% compared to the end of 2018, which was mainly due to the interest received from one-time repayment of principal and interest on large-denomination certificates of deposits.

5.8 Inventories

(a) Inventories by category

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw materials and package materials	177,976,566.48	14,772,001.80	163,204,564.68	144,856,930.02	13,808,554.40	131,048,375.62
Semi-finished goods and work in process	2,291,945,127.85	-	2,291,945,127.85	1,957,452,112.24	-	1,957,452,112.24
Finished goods	562,948,591.57	3,046,322.32	559,902,269.25	322,031,842.20	3,225,665.20	318,806,177.00

Total	3,032,870,285.90	17,818,324.12	3,015,051,961.78	2,424,340,884.46	17,034,219.60	2,407,306,664.86

(b) Provision for impairment

Items	31 December 2018	Increase during the reporting period		Decrease during the reporting period		31 December 2019
		Provision	Others	Reversal or written-down	Others	
Raw materials and package materials	13,808,554.40	979,662.15	-	16,214.75	-	14,772,001.80
Finished goods	3,225,665.20	99,318.29		278,661.17		3,046,322.32
Total	17,034,219.60	1,078,980.44		294,875.92		17,818,324.12

5.9 Non-current Assets Maturing within One Year

Items	31 December 2019	31 December 2018
Non-current Assets Maturing within One Year	-	300,000,000.00
Total	-	300,000,000.00

Note: The balance of non-current assets muturing within one year at the end of 2018 was large-denomination certificates of deposits, which was recovered during the reporting period.

5.10 Other Current Assets

Items	31 December 2019	31 December 2018
Financial products	-	2,758,000,000.00
Pledge-style repo of treasury bonds	-	179,900,000.00
Deductible tax	114,439,167.07	74,578,687.20
Total	114,439,167.07	3,012,478,687.20

Note: The closing balance of other current assets has decreased by 96.20%, which was mainly due to the decrease of financial products at the end of 2019 and the reclassification of financial products originally classified as other current assets changing into held-for-trading financial assets as the Company 's implementation of the new financial instruments standard, as well as the recovery of pledge-style repo of treasury bonds.

5.11 Available-for-sale Financial Assets

(a) General information of available-for-sale financial assets

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	-	-	-	206,393,107.46	-	206,393,107.46
Including: measured by fair value	-	-	-	206,393,107.46	-	206,393,107.46
Total	-	-	-	206,393,107.46	-	206,393,107.46

(b)Note: The closing balance of available-for-sale financial assets at the end of 2019 has decreased 206,393,100.00 yuan, which was caused by the reclassification of the fund investments to held-to-trade financial assets as the Company's implementation of the new financial instruments standard.

5.12 Long-term Equity Investments

Investees	31 December 2018	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Beijing Guge Trading Co., Ltd.	4,900,000.00	-	-	-221,717.76	-	-
Total	4,900,000.00	-	-	-221,717.76	-	-

(Continued)

Investees	Changes during the reporting period	31 December	Provision for

	Declaration of cash dividends or distribution of profit	Provision for impairment	Others	2019	impairment at 31 December 2019
Associates					
Beijing Guge Trading Co., Ltd.	-	-	-	4,678,282.24	-
Total	-	-	-	4,678,282.24	-

5.13 Investment Properties

(a) Investment properties accounted for using cost model

Items	Building and plants	Land use rights	Total
Initial cost:			
Balance at 31 December 2018	8,680,555.75	2,644,592.00	11,325,147.75
Increase during the reporting period	-	-	-
Decrease during the reporting period	-	-	-
Balance at 31 December 2019	8,680,555.75	2,644,592.00	11,325,147.75
Accumulated depreciation and amortisation:			
Balance at 31 December 2018	5,654,245.92	643,673.30	6,297,919.22
Increase during the reporting period	261,115.95	56,026.56	317,142.51
(i) Provision	261,115.95	56,026.56	317,142.51
Decrease during the reporting period	-	-	-
Balance at 31 December 2019	5,915,361.87	699,699.86	6,615,061.73
Provision for impairment			
Balance at 31 December 2018	-	-	-

Increase during the reporting period	-	-	-
Decrease during the reporting period	-	-	-
Balance at 31 December 2019	-	-	-
Carrying amount:			
Balance at 31 December 2019	2,765,193.88	1,944,892.14	4,710,086.02
Balance at 31 December 2018	3,026,309.83	2,000,918.70	5,027,228.53

5.14 Fixed Assets

(a) Fixed assets by category

Items	31 December 2019	31 December 2018
Fixed assets	1,722,572,998.79	1,763,988,530.56
Disposal of fixed assets	-	-
Total	1,722,572,998.79	1,763,988,530.56

(b) Fixed assets

(i) General information of fixed assets

Items	Buildings and constructions	Machinery equipments	Vehicles	Office equipment and others	Total
Initial cost:					
Balance at 31 December 2018	2,006,674,799.70	920,022,112.79	58,064,314.20	157,194,996.51	3,141,956,223.20
Increase during the reporting period	42,058,074.12	106,980,384.01	5,654,034.83	20,652,185.83	175,344,678.79
(i) Acquisition	1,841,669.47	32,454,864.01	5,654,034.83	13,339,053.16	53,289,621.47
(ii)Transfer from construction in progress	40,216,404.65	74,525,520.00	-	7,313,132.67	122,055,057.32

Items	Buildings and constructions	Machinery equipments	Vehicles	Office equipment and others	Total
Decrease during the reporting period	14,189,856.21	24,825,609.75	2,750,837.04	6,943,112.13	48,709,415.13
(i) Disposal	14,189,856.21	24,825,609.75	2,750,837.04	6,943,112.13	48,709,415.13
Balance at 31 December 2019	2,034,543,017.61	1,002,176,887.05	60,967,511.99	170,904,070.21	3,268,591,486.86
Accumulated depreciation:					
Balance at 31 December 2018	737,756,223.41	495,710,974.90	49,030,197.42	90,459,858.92	1,372,957,254.65
Increase during the reporting period	84,535,134.09	98,379,650.23	5,266,789.72	17,666,813.49	205,848,387.53
(i) Provision	84,535,134.09	98,379,650.23	5,266,789.72	17,666,813.49	205,848,387.53
Decrease during the reporting period	11,371,223.49	18,828,305.80	2,663,966.19	4,882,028.40	37,745,523.88
(i) Disposal	11,371,223.49	18,828,305.80	2,663,966.19	4,882,028.40	37,745,523.88
Balance at 31 December 2019	810,920,134.01	575,262,319.33	51,633,020.95	103,244,644.01	1,541,060,118.30
Provision for impairment:					
Balance at 31 December 2018	3,396,292.79	1,020,057.51	7,047.07	587,040.62	5,010,437.99
Increase during the reporting period	-	138,765.07	-	-	138,765.07
(i) Provision	-	138,765.07	-	-	138,765.07
Decrease during the reporting period	84,514.35	105,635.43	-	683.51	190,833.29
(i) Disposal	84,514.35	105,635.43	-	683.51	190,833.29
Balance at 31 December 2019	3,311,778.44	1,053,187.15	7,047.07	586,357.11	4,958,369.77

Items	Buildings and constructions	Machinery equipments	Vehicles	Office equipment and others	Total
Carrying amount:					
Balance at 31 December 2019	1,220,311,105.16	425,861,380.57	9,327,443.97	67,073,069.09	1,722,572,998.79
Balance at 31 December 2018	1,265,522,283.50	423,291,080.38	9,027,069.71	66,148,096.97	1,763,988,530.56

(ii) Idle fixed assets

Item	Initial cost	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Buildings and constructions	10,108,234.09	6,709,981.59	3,311,778.44	86,474.06	——
Machinery equipments	6,461,779.99	5,376,301.54	1,053,187.15	32,291.30	——
Vehicles	58,119.66	49,329.00	7,047.07	1,743.59	——
Office equipment and others	896,981.09	283,728.04	586,357.11	26,895.94	——
Total	17,525,114.83	12,419,340.17	4,958,369.77	147,404.89	——

(iii) Fixed assets without certificate of title

Items	Carrying amount	Reason
Buildings and constructions	739,313,343.70	Under processing

(iv) There are no fixed assets with limited on use such as mortgage at the end of the reporting period.

5.15 Construction in Progress

(a) Construction in progress by category

Items	31 December 2019	31 December 2018
Construction in progress	183,984,816.07	93,320,557.56

Construction materials	-	-
Total	183,984,816.07	93,320,557.56

Note: Construction in progress listed above is the net result of construction in progress after deducting construction materials.

(b) Construction in progress

(i) General information of construction in progress

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Brewing automatization technological improvement project	74,782,393.43	-	74,782,393.43	17,307,839.93	-	17,307,839.93
Furnace project (No.5)	43,893,912.18	-	43,893,912.18	780,479.49	-	780,479.49
Suizhou new plant phase I project	40,023,041.23	-	40,023,041.23	2,597,498.75	-	2,597,498.75
Machine installment	10,393,296.42	-	10,393,296.42	5,596,060.05	-	5,596,060.05
Liquid filling line renovation project	5,934,194.72	-	5,934,194.72	-	-	-
Gujing digital marketing project	2,150,943.39	-	2,150,943.39	-	-	-
Renovation project of potential safety concerns	387,770.85	-	387,770.85	1,263,728.57	-	1,263,728.57
Gujing plant half-open wine cellar	-	-	-	30,391,615.08	-	30,391,615.08

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Gujing party building cultural museum	-	-	-	1,435,187.95	-	1,435,187.95
Desulfurization and denitrification projects	-	-	-	28,768,115.33	-	28,768,115.33
Other individual project	6,419,263.85	-	6,419,263.85	5,180,032.41	-	5,180,032.41
Total	183,984,816.07	-	183,984,816.07	93,320,557.56	-	93,320,557.56

(ii) Changes in significant projects of construction in progress

Projects	Budget (ten thousand yuan)	31 December 2018	Increase during the reporting period	Amount transferred to fixed asset	Decrease during the reporting period	31 December 2019
Brewing automatization technological improvement project	27,430.00	17,307,839.93	71,314,035.28	13,839,481.78	-	74,782,393.43
Furnace project (No.5)	7,134.35	780,479.49	43,113,432.69	-	-	43,893,912.18
Suizhou new plant phase I project	26,000.00	2,597,498.75	37,455,254.45	-	29,711.97	40,023,041.23
Machine installment	10,834.65	5,596,060.05	16,935,672.58	12,138,436.21	-	10,393,296.42
Liquid filling line renovation project	4,000.00	-	5,934,194.72	-	-	5,934,194.72

Gujing digital marketing project	4,190.15	-	31,169,697.46	-	29,018,754.07	2,150,943.39
Renovation project of potential safety concerns	18,010.76	1,263,728.57	519,468.76	1,395,426.48	-	387,770.85
Gujing plant half-open wine cellar	11,194.15	30,391,615.08	9,655,471.24	40,047,086.32	-	-
Gujing party building cultural museum	1,160.00	1,435,187.95	2,152,781.88	3,587,969.83	-	-
Desulfurization and denitrification project	7,176.00	28,768,115.33	10,246,755.41	39,014,870.74	-	-
SAP-ERP	4,450.00		31,669,064.53	-	31,669,064.53	-
Other individual project	7,628.67	5,180,032.41	24,100,638.06	12,031,785.96	10,829,620.66	6,419,263.85
Total	129,208.73	93,320,557.56	284,266,467.06	122,055,057.32	71,547,151.23	183,984,816.07

(Continued)

Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
Brewing automatization technological improvement	35.59	73.00	-	-	-	Enterprise's own fund

Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
project						
Furnace project(No.5)	60.43	60.43	-	-	-	Enterprise's own fund
Suizhou new plant phase I project	15.40	15.40	-	-	-	Enterprise's own fund
Machine installment	29.25	80.00	-	-	-	Enterprise's own fund
Liquid filling line renovation project	14.84	14.84	-	-	-	Enterprise's own fund
Gujing digital marketing project	74.39	74.39	-	-	-	Enterprise's own fund
Renovation project of potential safety concerns	82.99	98.00	-	-	-	Enterprise's own fund
Gujing plant half-open wine cellar	74.64	100.00	-	-	-	Enterprise's own fund
Gujing party building cultural museum	81.87	100.00	-	-	-	Enterprise's own fund
Desulfurization and denitrification project	54.68	100.00	-	-	-	Enterprise's own fund

Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
SAP-ERP	71.17	100.00	-	-	-	Enterprise's own fund
Other individual project	97.77	97.77	-	-	-	Enterprise's own fund
Total	——	——	——	——	——	——

(iii) The carrying amount of construction in progress at the end of 2019 has increased by 97.15% compared to the end of 2018, which was mainly due to the increasing investment in Brewing automatization technological improvement project, Furnace project (No.5) and Suizhou new plant phase I project.

5.16 Intangible Assets

(a) General information of intangible assets

Items	Land use rights	Software	Patents and Trademark	Total
Initial cost:				
Balance at 31 December 2018	683,451,302.56	32,106,185.73	215,006,066.19	930,563,554.48
Increase during the reporting period	-	73,024,431.49	-	73,024,431.49
(i) Acquisition	-	2,452,536.47	-	2,452,536.47
(ii) Transfer from construction in progress		70,571,895.02	-	70,571,895.02
Decrease during the reporting	-	45,299.14	-	45,299.14

Items	Land use rights	Software	Patents and Trademark	Total
period				
(i) Disposal	-	45,299.14	-	45,299.14
Balance at 31 December 2019	683,451,302.56	105,085,318.08	215,006,066.19	1,003,542,686.83
Accumulated amortisation:				
Balance at 31 December 2018	129,394,359.27	12,944,725.23	46,140,860.88	188,479,945.38
Increase during the reporting period	14,383,598.77	14,943,160.43	48,077.76	29,374,836.96
(i) Provision	14,383,598.77	14,943,160.43	48,077.76	29,374,836.96
Decrease during the reporting period	-	30,028.27	-	30,028.27
(i) Disposal	-	30,028.27	-	30,028.27
Balance at 31 December 2019	143,777,958.04	27,857,857.39	46,188,938.64	217,824,754.07
Provision for impairment:				
Balance at 31 December 2018	-	-	-	-
Increase during the reporting period	-	-	-	-
Decrease during the reporting period	-	-	-	-
Balance at 31 December 2019	-	-	-	-
Carrying amount:		-		-
Balance at 31 December 2019	539,673,344.52	77,227,460.69	168,817,127.55	785,717,932.76
Balance at 31 December 2018	554,056,943.29	19,161,460.50	168,865,205.31	742,083,609.10

(b) No Intangible Assets used for mortgage or guarantee at 31 December 2019

(c) No Land use rights without certificate of title at 31 December 2019

5.17 Goodwill

(a) Initial recognition

Investees or matters that goodwill arising from	31 December 2018	Increase during the reporting period		Decrease during the reporting period		31 December 2019
		Business combination	Others	Disposal	Others	
Yellow Crane Tower Wine Co., Ltd.	478,283,495.29	-	-	-	-	478,283,495.29
Total	478,283,495.29	-	-	-	-	478,283,495.29

(b) Provision for impairment

Investees or matters that goodwill arising from	31 December 2018	Increase during the reporting period		Decrease during the reporting period		31 December 2019
		Provision	Others	Disposal	Others	
Yellow Crane Tower Wine Co., Ltd.	-	-	-	-	-	-
Total	-	-	-	-	-	-

(c) Information related to the CGUs or CGU groups that goodwill lies in

Investees or matters that goodwill arising from	Main components of CGU or CGUs	Book value (unit: RMB10,000)				Determination method	Whether changes during the reporting period
		Book value of CGU	Book value of goodwill to be allocated	Unconfirmed goodwill attributable to non-controlling interests	Total		

Yellow Crane Tower Wine Co., Ltd.	Operating asset of Yellow Crane Tower Wine Co., Ltd	74,474.31	47,828.35	45,952.73	168,255.39	The cash-generating unit where goodwill lies in has an active market which could generate independent cash flow, therefore taking it as an individual CGU.	no

Note: The book value of the CGU excludes surplus assets and non-operating assets and liabilities of Yellow Crane Tower Wine Co., Ltd.

(d) Process of impairment testing, parameters and determination method of impairment loss of goodwill

Recoverable amount of cash-generating units: determined according to present value of expected future cash flow. The future cash flow is estimated based on the five-year financial budget of the CGU metioned above approved by the management, and the perpetual cash flow after five years is determined according to the cash flow in the fifth year. The discount rate for calculating the present value is the appropriate discount rate reflecting the time value of the current market currency and the specific risk of CGU. Other key assumptions used in the cash flow forecast of the asset group include expected operating revenue, operating cost, growth rate and related expenses. The assumptions above are based on the Company's operating performance, growth rate, industry level and the management's expectation of market development in the previous year.

According to the goodwill impairment test of the Company as well as *evaluation report* (zhongshuizhiyuanpingbaozi [2020] No. 020171) issued by Zhongshuizhiyuan Asset Appraisal Co., Ltd., at the end of the period the Company did not find the recoverable amount of the cash-generating unit containing goodwill was lower than its book value, therefore we suppose no provision for impairment is required.

(e) Impact on the impairment test of goodwill

The goodwill CGU of the company has performance commitment at the time of acquisition. For details please refer to *12. COMMITMENTS AND CONTINGENCIES 12.1 Significant Commitments (a)Performance commitment* in this note. The performance commitment of the company has been completed, which has no impact on goodwill impairment test.

5.18 Long-term Deferred Expenses

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period		31 December 2019
			Amortisation	Other decrease	
Experience center	36,671,977.31	-	10,419,843.26	13,334.59	26,238,799.46
Pottery	6,244,584.78	-	4,407,942.21		1,836,642.57
Sewage treatment project	3,050,000.00	1,640,000.00	922,622.95		3,767,377.05
Yellow Crane Tower chateau and museum	16,531,666.46	568,336.72	3,804,430.38	1,798,624.18	11,496,948.62
Gujing party building cultural center	5,909,090.91	-	1,181,818.18		4,727,272.73
Yantai wine museum project	-	1,330,324.15	36,953.44		1,293,370.71
Other individual project with insignificant amounts	15,154,154.00	12,329,049.20	6,603,126.28	381.24	20,879,695.68
Total	83,561,473.46	15,867,710.07	27,376,736.70	1,812,340.01	70,240,106.82

5.19 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	22,776,693.89	5,688,693.81	65,051,818.84	16,221,329.97
Provision for credit impairment	43,861,929.95	10,955,709.29	-	-
Unrealized intragroup profit	32,086,076.52	8,021,519.13	16,788,054.95	4,181,824.54
Deferred income	72,778,437.92	17,941,534.40	76,636,500.55	18,877,272.61
Deductible losses	-	-	111,851.71	5,592.58
Changes in fair value of	-	-	117,161.92	29,290.48

held-for-trading financial assets				
Carry-over of payroll payables deductible during the next period	32,995,460.19	8,248,865.05	35,071,030.14	8,767,757.53
Accrued expenses and discount	158,552,891.33	39,638,222.83	153,988,413.40	38,497,103.35
Total	363,051,489.80	90,494,544.51	347,764,831.51	86,580,171.06

(b) Deferred tax liabilities before offsetting

Items	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Change in fair value of available-for-sale financial assets	-	-	6,393,107.46	1,598,276.87
Difference in accelerated depreciation of fixed assets	73,614,107.09	18,403,526.77	12,921,842.60	3,230,460.65
Assets appreciation arising from business combination not under common control	384,290,207.88	96,072,551.97	391,743,110.36	97,935,777.59
Changes in fair value of held-for-trading financial assets	17,585,151.48	4,396,287.87	-	-
Total	475,489,466.45	118,872,366.61	411,058,060.42	102,764,515.11

(c) Unrecognized deferred tax assets

Items	31 December 2019	31 December 2018
Deductible temporary differences	-	16,214.75
Deductible losses	8,072,655.25	5,089,008.12
Total	8,072,655.25	5,105,222.87

(e) Deductible losses not recognised as deferred tax assets will expire in the following periods:

Year	31 December 2019	31 December 2018
2020	1,981,272.15	2,059,849.97
2021	1,463,251.49	1,444,700.17
2022	827,103.78	827,103.78
2023	757,354.20	757,354.20
2024	3,043,673.63	-
Total	8,072,655.25	5,089,008.12

5.20 Other Non-current Assets

Items	31 December 2019	31 December 2018
Prepayments for equipment and constructions	4,148,686.00	16,544,407.51
Total	4,148,686.00	16,544,407.51

Note: The closing balance of other non-current assets in 2019 has decreased by 74.92% compared to the end of 2018, which was mainly due to the treansfer of prepaid equipment and constructions to corresponding asset accounts after the acceptance inspection.

5.21 Notes Payable

(a) Notes payable by nature

Category	31 December 2019	31 December 2018
Bank acceptance bills	654,965,064.82	320,554,500.00
Commercial acceptance bills	48,714,582.04	28,648,913.72
Total	703,679,646.86	349,203,413.72

(b) At the end of the reporting period, there is no notes payable matured but not yet paid.

(c) The balance of notes payable in 2019 has increased by 101.51% compared with that at the end of 2018, which was mainly due to using bank acceptance bills to settle at the end of reporting period.

5.22 Accounts Payable

(a) Accounts payable by nature

Items	31 December 2019	31 December 2018
Payments for goods	399,583,249.41	277,765,943.47

Payments for constructions and equipment	88,412,144.22	111,498,555.89
Others	75,498,801.77	95,688,099.23
Total	563,494,195.40	484,952,598.59

(b) Significant accounts payable with aging of over one year

Items	31 December 2019	Reason
No. 1	2,252,093.02	Final payment
No. 2	577,691.84	Final payment
No. 3	393,392.70	Final payment
No. 4	348,350.03	Final payment
No. 5	244,906.28	Final payment
Total	3,816,433.87	——

5.23 Advances from Customers

(a) Details of advances from customers

Items	31 December 2019	31 December 2018
Advances for goods	529,863,011.73	1,149,143,310.48
Total	529,863,011.73	1,149,143,310.48

(b)There is no significant advances from customers with aging of over one year.

5.24 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Short-term employee benefits	456,935,872.94	1,926,834,740.45	1,930,095,957.70	453,674,655.69
Post-employment benefits-defined contribution plans	363,603.49	112,584,207.37	112,432,933.66	514,877.20

Termination benefits	-	-	-	-
Total	457,299,476.43	2,039,418,947.82	2,042,528,891.36	454,189,532.89

(b) Short-term employee benefits

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Salaries, bonuses, allowances and subsidies	371,643,470.87	1,675,987,714.09	1,690,243,514.54	357,387,670.42
Employee benefits	6,468,163.00	70,605,639.08	77,028,732.81	45,069.27
Social insurance	233,210.91	49,447,706.55	49,073,537.85	607,379.61
Health insurance	226,816.90	43,886,066.29	43,522,306.44	590,576.75
Injury insurance	1,487.67	2,055,399.22	2,051,156.46	5,730.43
Birth insurance	4,906.34	3,506,241.04	3,500,074.95	11,072.43
Housing accumulation fund	2,867,327.46	61,840,914.02	60,242,387.03	4,465,854.45
Labour union funds and employee education funds	75,723,700.70	19,770,918.19	21,888,450.60	73,606,168.29
Enterprise annuity	-	49,181,848.52	31,619,334.87	17,562,513.65
Total	456,935,872.94	1,926,834,740.45	1,930,095,957.70	453,674,655.69

(c) Defined contribution plans

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
1. Basic endowment insurance	347,894.88	107,941,383.98	107,779,937.88	509,340.98
2. Unemployment insurance	15,708.61	4,642,823.39	4,652,995.78	5,536.22
Total	363,603.49	112,584,207.37	112,432,933.66	514,877.20

5.25 Taxes Payable

Items	31 December 2019	31 December 2018
Value added tax (VAT)	16,929,480.44	162,028,367.23
Consumption tax	347,582,441.49	99,133,181.43
Enterprise income tax	94,038,327.53	75,107,410.70
Individual income tax	1,173,190.21	1,307,281.11
Urban maintenance and construction tax	9,328,392.65	13,142,342.60
Stamp duty	1,058,588.17	549,270.06
Educational surcharge	7,991,963.70	12,301,477.16
Others	4,800,725.40	9,424,293.89
Total	482,903,109.59	372,993,624.18

5.26 Other Payables

(a) Other payables by category

Items	31 December 2019	31 December 2018
Interest payable	-	-
Dividend payable	-	-
Other payables*	1,315,878,229.01	1,192,020,147.82
Total	1,315,878,229.01	1,192,020,147.82

*: Other payables represent other payables except interest payable and dividend payable.

(b) Other payables

(i) Other payables by nature

Items	31 December 2019	31 December 2018
Security deposit and guarantee	1,206,935,123.77	1,064,059,562.95
Warranty	42,966,560.82	14,693,150.14
Personal housing fund paid by company	4,465,854.45	2,867,327.46
Unsettled discount	-	30,212,626.88
Borrowing of business trip expenses	296,993.67	145,447.82

Others	61,213,696.30	80,042,032.57
Total	1,315,878,229.01	1,192,020,147.82

(ii) Significant other payables with aging of over one year

Other payables balance with aging of over one year totaled RMB 481,317,422.48 yuan, which are mainly security deposit and warrenty not yet matured.

5.27 Other Current Liabilities

Items	31 December 2019	31 December 2018
Accrued expenses	197,484,121.41	295,164,745.44
Total	197,484,121.41	295,164,745.44

5.28 Deferred Income

(a) General information of deferred income

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019	Reason
Government grants	76,636,500.55	975,800.00	4,833,862.63	72,778,437.92	Grants received from government
Total	76,636,500.55	975,800.00	4,833,862.63	72,778,437.92	

(b) Items related to government grants

Items	31 December 2018	Increase during the reporting period	Recognised in other income during the reporting period	Other changes	31 December 2019	Related to assets/Related to profit or loss
Wine production system technical transformation	255,208.43	-	62,499.96	-	192,708.47	Related to asset
Instrument subsidy	992,250.00	843,000.00	284,812.50	-	1,550,437.50	Related to asset
Intelligent solid brewing technology innovation project	151,041.57	-	31,250.04	-	119,791.53	Related to asset

Anhui province development of direct funds of service industry	1,087,805.00	-	292,682.88	-	795,122.12	Related to asset
Anhui province subsidy of innovative province construction capacity for independent innovation	2,678,665.00	-	730,545.00	-	1,948,120.00	Related to asset
Energy efficiency renovation project for coal industrial boiler and glass furnace	12,750.00	-	12,750.00	-	-	Related to asset
Bozhou logistics center project	60,000.00	-	60,000.00	-	-	Related to asset
Equipment subsidy	1,252,062.37	19,000.00	203,034.21	-	1,068,028.16	Related to asset
Finance subsidy for technical reconstruction	415,930.90	-	415,930.90	-	-	Related to asset
Enterprise development funds	52,500.00	-	30,000.00	-	22,500.00	Related to asset
Internet traceability system project	2,970,000.00	-	1,113,750.00	-	1,856,250.00	Related to asset
Subsidy for suizhou new factory infrastructure	35,338,000.00	-	-	-	35,338,000.00	Related to asset
Motor and boiler energy-saving technical transformation project	412,500.20	-	137,499.96	-	275,000.24	Related to asset
Automation of check and storage, on-line monitoring of product quality	359,375.00	-	93,750.00	-	265,625.00	Related to asset
Funds for research projects of koji-making Technology	886,200.00	113,800.00	-	-	1,000,000.00	Related to asset
Gujing Zhangji wine cellar optimization and reconstruction project	882,708.39	-	47,499.96	-	835,208.43	Related to asset
Subsidy for food safety improvement project	827,586.25	-	137,931.00	-	689,655.25	Related to asset

Subsidy for key technical cooperation project on the authenticity of important food isotopes	600,000.00	-	-	-	600,000.00	Related to asset
Comprehensive subsidy fund for air pollution prevention and control	2,608,083.33	-	263,000.04	-	2,345,083.29	Related to asset
Funds for strategic emerging industry agglomeration development base	1,020,800.00	-	222,720.00	-	798,080.00	Related to asset
Refund of Land payment	23,113,034.11	-	550,206.18	-	22,562,827.93	Related to asset
Specific funds for side management of power demand	660,000.00	-	144,000.00	-	516,000.00	Related to asset
Total	76,636,500.55	975,800.00	4,833,862.63	-	72,778,437.92	——

5.29 Share Capital

	31 December 2018	Changes during the reporting period (+,-)					31 December 2019
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Number of total shares	503,600,000.00	-	-	-	-	-	503,600,000.00

5.30 Capital Reserves

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Capital premium (share premium)	1,262,552,456.05	-	-	1,262,552,456.05
Other capital reserves	32,853,136.20	-	-	32,853,136.20
Total	1,295,405,592.25	-	-	1,295,405,592.25

5.31 Other Comprehensive Income

Items	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period					31 December 2019
				Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Other comprehensive income will not be reclassified into profit or loss	-	-	-	-	-	-	-	-	-
Other comprehensive income will be reclassified into profit or loss under equity method	4,794,830.59	-4,794,830.59	-	-	-	-	-	-	-
Gains /(losses) arising from changes in fair value of available-for-sale financial assets	4,794,830.59	-4,794,830.59	-	-	-	-	-	-	-
Total	4,794,830.59	-4,794,830.59	-	-	-	-	-	-	-

5.32 Surplus Reserves

Items	31 December 2018	Changes of accounting policy	1 January 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2019

Items	31 December 2018	Changes of accounting policy	1 January 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Statutory surplus reserves	256,902,260.27	-	256,902,260.27	-	-	256,902,260.27
Total	256,902,260.27	-	256,902,260.27	-	-	256,902,260.27

Note: Pursuant to the Company Law of the People's Republic of China and Articles of Association, the Company appropriates 10% of net profit to the statutory surplus reserves. If the cumulative amount of the statutory surplus reserve is more than 50% of the registered capital of the company, it can be not appropriated any more.

5.33 Retained Earnings

Items	2019	2018
Balance at the end of last period before adjustments	5,541,281,341.47	4,349,649,698.42
Adjustments for the opening balance (increase /(decrease))	4,794,830.59	-
Balance at the beginning of the reporting period after adjustments	5,546,076,172.06	4,349,649,698.42
Add: net profit attributable to owners of the parent company for the reporting period	2,097,527,739.86	1,695,231,643.05
Payment of ordinary share dividends	755,400,000.00	503,600,000.00
Balance at the end of the reporting period	6,888,203,911.92	5,541,281,341.47

5.34 Revenue and Cost of Sales

Items	2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	10,359,521,016.94	2,389,208,627.75	8,643,055,572.55	1,902,024,741.16
Other activities	57,440,567.29	36,838,297.14	43,084,764.34	30,040,096.49
Total	10,416,961,584.23	2,426,046,924.89	8,686,140,336.89	1,932,064,837.65

5.35 Taxes and Surcharges

Items	2019	2018
Consumption tax	1,310,755,555.59	1,018,772,391.98
Urban maintenance and construction tax and educational surcharge	239,699,123.64	215,702,291.57
Property tax	11,812,243.00	16,405,271.90
Land use tax	9,702,285.09	11,230,378.26
Stamp duty	9,282,035.09	6,914,493.16
Others	11,654,311.63	9,882,693.22
Total	1,592,905,554.04	1,278,907,520.09

5.36 Selling and Distribution Expenses

Items	2019	2018
Employment benefits	539,175,110.66	443,674,013.14
Travel fees	133,377,266.84	105,558,192.51
Advertisement fees	876,445,646.88	643,845,577.77
Transportation charges	52,250,930.23	50,301,343.18
Comprehensive promotion costs	969,501,572.71	981,647,916.98
Service fees	516,683,260.54	374,712,968.67
Others	97,460,433.24	82,795,293.01
Total	3,184,894,221.10	2,682,535,305.26

5.37 General and Administrative Expenses

Items	2019	2018
Employment benefits	418,480,165.12	381,810,225.86
Office fees	45,087,603.23	36,115,375.96
Maintenance expenses	44,265,385.52	75,819,068.26
Depreciation	65,103,145.01	59,437,594.57
Amortization of intangible assets	29,074,836.91	19,959,184.85

Items	2019	2018
Pollution discharge	18,771,523.15	14,533,149.92
Travel expenses	7,637,602.20	2,868,419.04
Water and electricity charges	11,057,588.66	10,176,771.91
Others	45,802,696.65	44,277,256.28
Total	685,280,546.45	644,997,046.65

5.38 Research and Development Expenses

Items	2019	2018
Labour cost	20,441,413.41	10,076,055.90
Direct input costs	3,975,855.83	2,932,841.66
Depreciation	3,474,875.34	2,652,902.88
Others	14,480,872.75	8,304,965.60
Total	42,373,017.33	23,966,766.04

Note:Research and development expenses in 2019 has increased by 76.80% compared with that in 2018, mainly due to the increase of research and development input of the Company.

5.39 Finance Costs

Items	2019	2018
Interest expenses	33,652,843.25	15,408,022.76
Less: Interest income	133,813,626.35	68,964,800.42
Net interest expenses	-100,160,783.10	-53,556,777.66
Net foreign exchange losses	1,594,072.93	674,321.43
Bank charges and others	940,906.66	1,309,826.50
Total	-97,625,803.51	-51,572,629.73

Note: Finance cost in 2019 has decreased by 89.30% compared with that in 2018, mainly due to the increase of interest income.

5.40 Other Income

Items	2019	2018	Related to assets /income
1. Government grant recognised in other imcome			
Including: Government grant related to deferred income (related to assets)	4,833,862.63	7,025,202.67	Related to assets
Government grant directly recognised in current profit or loss (related to income)	93,410,607.69	28,676,471.78	Related to income
Total	98,244,470.32	35,701,674.45	

Note: Other income in 2019 has increased by 175.18% compared with that in 2018. The main reason is that the tax return received in this period is higher than that in the previous period, and the return fund about stable postition received from Bozhou Social Insurance Administration Bureau in this period.

5.41 Investment Income

Items	2019	2018
Investment income from long-term equity investments under equity method	-221,717.76	-
Gains on disposal of financial assets at fair value through profit or loss	-	1,238,951.28
Investment income from held-to-maturity investments during holding period	-	96,034,262.28
Investment income from available-for-sale financial assets during holding period	-	22,103,586.91
Gains on disposal of available-for-sale financial assets	-	17,575,818.71
Investment income from held-for-trading financial assets during holding period	126,649,168.04	-
Others	-	11,262,849.44
Total	126,427,450.28	148,215,468.62

5.42 Gains on Changes in Fair Values

Sources of gains on changes in fair value	2019	2018
Held-for-trading financial assets		
Including: Changes in fair value of designated as held-for-trading financial assets	17,585,151.48	-161,541.19
Total	17,585,151.48	-161,541.19

Note: The gains on changes in fair values in 2019 increased significantly compared with that in 2018, mainly due to the increase in fair value of held-for-trading financial assets in 2019.

5.43 Impairment Loss of Credit

Items	2019	2018
Bad debt of notes receivable	-34,938.37	—
Bad debt of accounts receivable	-175,624.33	—
Bad debt of other receivables	-722,167.14	—
Total	-932,729.84	—

Note: Impairment loss of credit in 2019 increased by RMB 932,729.84 yuan compared with that in 2018, which was mainly bacause bad debt loss originally classified in impairement loss of assets reclassified to impairment loss of credit according to *Notice on revising and printing the financial statement format of general enterprises in 2019* (Caikuai [2019] No. 6) issued by Ministry of finance.

5.44 Impairment Loss of Assets

Items	2019	2018
Bad debt of receivables	-	-164,473.83
Impairment of inventories	-1,078,980.44	-12,377,889.37
Impairment of fixed assets	-138,765.07	-184,505.54
Total	-1,217,745.51	-12,726,868.74

Note: Impairment loss of assets decreased by 11,509,123.23 yuan compared with that in 2018, mainly because of the decrease of impairment of inventories in 2019.

5.45 Gains/ (losses) from Disposal of Assets

Items	2019	2018
Gains/(losses) from disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale	252,518.68	526,066.38
Including: Fixed assets	252,518.68	526,066.38
Total	252,518.68	526,066.38

5.46 Non-operating Income

(a) Details of non-operating income

Items	2019	2018	Recognized in current extraordinary gains and losses
Gains from damage or scrapping of non-current asset	277,478.76	75,031.16	277,478.76
Government grants irrelevant to daily operation activities	48,707.00	340,000.00	48,707.00
Income from penalties and compensation	26,507,159.08	18,476,297.19	26,507,159.08
Sales of wastes	3,575,405.84	15,074,253.13	3,575,405.84
Accounts payable no need to pay back	19,614,848.78	248,222.02	19,614,848.78
Others	7,782,396.91	1,076,176.94	7,782,396.91
Total	57,805,996.37	35,289,980.44	57,805,996.37

(b) Government grants irrelevant to daily operation activities

Grant program	2019	2018	Related to assets /income
Other incentives	48,707.00	140,000.00	Related to income
Taxpayer bonus in Xianning high-tech district	-	100,000.00	——
Yaohai district shengli street awards	-	100,000.00	——
Total	48,707.00	340,000.00	——

(c) The non-operating income has increased by 63.80% compared with that in 2018, mainly because of the increase in accounts payable not required to be paid as confirmed by property inspection.

5.47 Non-operating Expenses

Items	2019	2018	Recognised in current extraordinary gains and losses
Loss from damage or scrapping of non-current assets	6,966,429.07	10,661,117.09	6,966,429.07
Others	1,444,027.58	2,499,058.39	1,444,027.58
Total	8,410,456.65	13,160,175.48	8,410,456.65

Note: Non-operating expenses decreased 36.09% compared with that in 2018, mainly because of the decrease of loss from damage or scrapping of non-current assets.

5.48 Income Tax Expenses

(a) Details of income tax expenses

Items	2019	2018
Current tax expenses	702,843,706.67	623,207,719.69
Deferred tax expenses	12,193,478.05	4,804,714.84
Total	715,037,184.72	628,012,434.53

(b) Reconciliation of accounting profit and income tax expenses

Items	2019

Items	2019
Profit before tax	2,872,841,779.06
Income tax expense at the statutory /applicable tax rate	718,210,444.77
Effect of different tax rate of subsidiaries	-9,655,744.33
Adjustments of impact from prior period income tax	-21,122,989.53
Effect of income that is exempt from taxation	-1,008,198.34
Effect of non-deductible costs, expenses or losses	28,518,918.92
Effect of previously unrecognized deductible losses recognised as deferred tax assets	6,216,697.88
Effect of deductible temporary differences and deductible losses not recognised as deferred tax assets	760,918.41
R&D expenses plus deduction	-6,282,863.06
Tax rate adjustment to the beginning balance of deferred income tax assets/liabilities	-
Income tax credits	-600,000.00
Total	715,037,184.72

5.49 Other Comprehensive Income

For details of the other comprehensive income and related tax effect, transfer to profit or loss and adjustment of other comprehensive income, please refer to *Note 5.31 Other Comprehensive Income*

5.50 Notes to the Statement of Cash Flow

(a) Other cash received relating to operating activities

Items	2019	2018
Security deposit, guarantee and warrenty	171,148,971.50	159,476,594.48
Government grants	84,936,396.19	50,692,038.13
Interest income	156,828,015.62	68,964,800.42
Release of restricted monetary funds	870,200,000.00	460,000,000.00
Others	40,619,933.12	34,874,949.28
Total	1,323,733,316.43	774,008,382.31

(b) Other cash payments relating to operating activities

Items	2019	2018
Cash paid in sales and distribution expenses and general and administrative expense	2,255,773,662.59	1,837,245,742.21
Security deposit, guarantee and warrenty	594,283.56	-
Time deposits or deposits pledged for the issuance of notes payable	312,000,000.00	200,000.00
Structured time deposits that cannot be withdrawn in advance	2,363,000,000.00	870,000,000.00
Others	27,764,520.81	7,774,646.93
Total	4,959,132,466.96	2,715,220,389.14

(c) Other cash payments relating to financing activities

Items	2019	2018
Cancellation of registration of subsidiary	-	16,553.34
Total	-	16,553.34

5.51 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	2019	2018
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	2,157,804,594.34	1,740,913,660.88
Add: Provisions for impairment of assets	2,150,475.35	12,726,868.74
Depreciation of fixed assets, Investment Properties, oil and gas asset and productive biological assets	206,165,530.04	194,327,557.29
Amortisation of intangible assets	29,374,836.96	19,959,184.85
Amortisation of long-term deferred expenses	27,376,736.70	21,492,764.36
Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	-252,518.68	-526,066.38

Losses /(gains) on scrapping of fixed assets	6,688,950.31	10,586,085.93
Losses /(gains) on changes in fair value	-17,585,151.48	161,541.19
Finance costs /(income)	35,246,916.18	15,408,022.76
Investment losses /(income)	-126,427,450.28	-148,215,468.62
Decreases /(increases) in deferred tax assets	-3,914,373.45	5,577,306.68
Increases /(decreases) in deferred tax liabilities	16,107,851.50	-772,591.84
Decreases /(increases) in inventories	-608,824,277.36	-328,785,250.90
Decreases /(increases) in operating receivables	258,842,362.46	-876,884,454.15
Increases /(decreases) in operating payables	14,492,580.86	1,192,137,327.83
Others*	-1,804,800,000.00	-417,225,202.67
Net cash flows from operating activities	192,447,063.45	1,440,881,285.95
(ii)Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible corporate bonds maturing within one year	-	-
Fixed assets acquired under finance leases	-	-
(iii)Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	2,944,749,918.09	835,560,865.12
Less: Cash at the beginning of the reporting period	835,560,865.12	1,024,088,626.40
Add: Cash equivalents at the end of the reporting period	-	-
Less: Cash equivalents at the beginning of the reporting period	-	-
Net increase in cash and cash equivalents	2,109,189,052.97	-188,527,761.28

* "Others" refer to impact of restricted funds on net cash flow generated from operating activities of the reporting period.

(b) The components of cash and cash equivalents

Items	31 December 2019	31 December 2018

(i) Cash	2,944,749,918.09	835,560,865.12
Including: Cash on hand	292,465.36	353,429.67
Cash in bank available for immediate use	2,943,712,121.81	835,175,643.46
Other monetary funds available for immediate use	745,330.92	31,791.99
(ii) Cash equivalents		
Including: Bond investments maturing within three months		
(iii) Cash and cash equivalents at the end of the reporting period	2,944,749,918.09	835,560,865.12
Including: Restricted cash and cash equivalents of the parent company and the subsidiaries of the group		

5.52 Restricted Assets

Items	Carrying amount at 31 December 2019	Reason
Cash and cash equivalents	2,675,000,000.00	Structured deposit and fixed deposit which cannot be withdrawn in advance as well as time deposits pledged for issuance of bank acceptance bills
Notes receivable	349,377,134.82	Pledged for issuance of bank acceptance bills
Total	3,024,377,134.82	——

5.53 Government Grants

(a) Government grants related to assets

Items	Amount	Items presented in	Recognised in current profit or loss or directly as deduct of related cost	Presented items that recognised in current

		the statement of financial position	2019	2018	profit or loss or directly as deduct of related cost
Technical transformation of brewing production system	192,708.47	Deferred income	62,499.96		Other income
Equipment subsidy	1,550,437.50	Deferred income	284,812.50		Other income
Intelligent solid brewing technology innovation project	119,791.53	Deferred income	31,250.04		Other income
Guiding funds for the development of service industry in Anhui Province	795,122.12	Deferred income	292,682.88		Other income
Subsidy for the construction of independent innovation capacity of Anhui Province	1,948,120.00	Deferred income	730,545.00		Other income
Energy saving transformation project of coal-fired industrial boiler and glass furnace	-	Deferred income	12,750.00		Other income
Project fund of Bozhou logistics center	-	Deferred income	60,000.00		Other income
Equipment subsidy	1,068,028.16	Deferred income	203,034.21	162,166.54	Other income

Items	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2019	2018	
Financial subsidy for technological transformation	-	Deferred income	415,930.90		Other income
Special funds for enterprise development	22,500.00	Deferred income	30,000.00		Other income
Internet of things traceability system project	1,856,250.00	Deferred income	1,113,750.00		Other income
Electric motor and boiler energy saving technology transformation project	275,000.24	Deferred income	137,499.96		Other income
Whole process online monitoring of hook and store automation and product quality	265,625.00	Deferred income	93,750.00		Other income
Gujing Zhangji liquor warehouse optimization and transformation project	835,208.43	Deferred income	47,499.96		Other income
Subsidy for food safety improvement project	689,655.25	Deferred income	137,931.00		Other income
Comprehensive subsidy fund for air pollution	2,345,083.29	Deferred income	263,000.04	2,098,202.98	Other income

Items	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2019	2018	
prevention and control					
Funds for strategic emerging industry agglomeration development base	798,080.00	Deferred income	222,720.00	-	Other income
Refund for land payment	22,562,827.93	Deferred income	550,206.18		Other income
Suizhou new plant construction subsidy	35,338,000.00	Deferred income	-	-	Other income
Funds for research projects of koji-making technology	1,000,000.00	Deferred income	-	-	Other income
Subsidy for key technical cooperation project on the authenticity of important food isotopes	600,000.00	Deferred income	-	-	Other income
Specific funds for side management of power demand	516,000.00	Deferred income	144,000.00	60,000.00	Other income
Total	72,778,437.92	-	4,833,862.63	2,320,369.52	

(b) Government grants related to income

Items	Amount	Items presented in the statement	Recognised in current profit or loss or directly as deduct of related cost	Presented items that recognised in current

		of financial position	2019	2018	profit or loss or directly as deduct of related cost
Tax refund	34,825,848.70	Other income	34,825,848.70	18,279,633.65	Other income
Energy saving and environmental protection industry fund	500,000.00	Other income	500,000.00		Other income
Bonus of Bozhou science and technology bureau	800,000.00	Other income	800,000.00		Other income
Incentive payment for manufacturer's subsidiary separation of national development and Reform Commission	500,000.00	Other income	500,000.00		Other income
2019 strong industrial cities special fund for developing private economy	750,000.00	Other income	750,000.00		Other income
Unemployment insurance funds and stabilization allowance	39,641,870.00	Other income	39,641,870.00		Other income
Standardization work of Bozhou market supervision administration in	450,000.00	Other income	450,000.00		Other income

Items	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2019	2018	
2018					
Subsidy for robot project	300,000.00	Other income	300,000.00		Other income
Subsidy from Social Security Bureau	3,750,000.00	Other income	3,750,000.00		Other income
Project funds from Bozhou economic and Information Bureau	1,100,000.00	Other income	1,100,000.00		Other income
2018 patent project award	400,000.00	Other income	400,000.00		Other income
Special funds for industrial development		Other income		2,100,000.00	Other income
Projects funds for manufacturing strong provinces in 2018		Other income		1,800,000.00	Other income
Standardized reward		Other income		1,109,249.00	Other income
National intellectual property demonstration enterprise award	1,200,000.00	Other income	1,200,000.00		Other income

Items	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2019	2018	
Subsidy from Bozhou Market Supervision Administration	559,000.00	Other income	559,000.00		Other income
Others	8,633,888.99	Other income	8,633,888.99	5,387,589.13	Other income
Other not related to daily operation	48,707.00	Non-operating income	48,707.00	340,000.00	Non-operating income
Total	93,459,314.69	——	93,459,314.69	29,016,471.78	——

6.CHANGES OF THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

6.1 Other Reasons of Changes in the Scope of Consolidation

The subsidiary Yellow Crane Tower Beverage Co., Ltd. was established during 2019, whose registered capital is 5,000,000.00 yuan. The address is Industrial park, Development District of Xian'an District, Xianning City. The subsidiary Yellow Crane Tower Wine Co., Ltd holds 100% of its equity.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Composition of corporate group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways of acquisition
				Direct	Indirect	
Bozhou Gujing Sales Co., Ltd. (hereafter Gujing Sales)	Anhui Bozhou	Anhui Bozhou	Commercial trade	100.00		Investment establishment

Anhui Longrui Glass Co., Ltd (hereafter Longrui Glass)	Anhui Bozhou	Anhui Bozhou	Manufacture	100.00		Investment establishment
Bozhou Gujing Waste Reclamation Co., Ltd. (hereafter Gujing Waste)	Anhui Bozhou	Anhui Bozhou	Waste recycle	100.00		Investment establishment
Anhui Jinyunlai Culture & Media Co., Ltd. (hereafter Jinyunlai)	Anhui Hefei	Anhui Hefei	Advertisement marketing	100.00		Investment establishment
Anhui Ruisiweier Technology Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Technical research	100.00		Investment establishment
Anhui colorful taste wine co., Ltd.	Anhui Bozhou	Anhui Bozhou	Manufacture	100.00		Investment establishment
Shanghai Gujing Jinhao hotel management company	Shanghai	Shanghai	Hotel management	100.00		Business combination under common control
Bozhou Gujing hotel	Anhui Bozhou	Anhui Bozhou	Hotel operating	100.00		Business combination under

Co., Ltd						common control
Anhui Yuanqing environmental protection Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Sewage treatment	100.00		Investment establishment
Anhui Gujing Yunshang Electronic Commerce Co., Ltd	Anhui Hefei	Anhui Hefei	Electronic commerce	100.00		Investment establishment
Anhui Zhenrui Construction Engineering Co., Ltd	Anhui Bozhou	Anhui Bozhou	Construction	100.00		Investment establishment
Anhui RunanxinkeTesting Tech. Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Food testing	100.00		Investment establishment
Yellow Crane Tower Wine Co., Ltd	Hubei Wuhan	Hubei Wuhan	Manufacture	51.00		Business combination not under common control
Yellow Crane Tower Wine (Xianning) Co., Ltd	Hubei Xianning	Hubei Xianning	Manufacture		51.00	Business combination not under common control
Yellow Crane Tower Wine	Hubei Suizhou	Hubei Suizhou	Manufacture		51.00	Business combination not

(Suizhou) Co., Ltd						under common control
Wuhan Tianlong Jindi Technology Development Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Business combination not under common control
Xianning Junhe Sales Co., Ltd	Hubei Xianning	Hubei Xianning	Commercial trade		51.00	Business combination not under common control
Hubei Junhe Advertising Co., Ltd	Hubei Wuhan	Hubei Wuhan	Advertisement marketing		51.00	Business combination not under common control
Hubei Yellow Crane Tower Beverage Co., Ltd	Hubei Wuhan	Hubei Wuhan	Manufacture		51.00	Investment establishment
Wuhan Yashibo Technology Co., Ltd.	Hubei Wuhan	Hubei Wuhan	Technology development		51.00	Investment establishment
Wuhan Junya Sales Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Investment establishment
Suizhou Junhe Commercial Co., Ltd.	Hubei Suizhou	Hubei Suizhou	Commercial trade		51.00	Investment establishment

(b) Significant non-wholly owned subsidiaries

Name of subsidiary	Proportion of ownership interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests during the reporting period	Dividends declared to distribute to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Yellow Crane Tower Wine Co., Ltd	49.00	60,276,854.48	-	488,042,947.30

(c) Main financial information of significant non-wholly owned subsidiaries

Name of subsidiary	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Yellow Crane Tower Wine Co., Ltd	755,439,438.85	742,229,246.05	1,497,668,684.90	369,369,757.38	132,292,912.62	501,662,670.00

(Continued)

Name of subsidiary	31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Yellow Crane Tower Wine Co., Ltd	587,458,925.80	731,191,284.72	1,318,650,210.52	311,342,786.19	134,315,398.16	445,658,184.35

Name of subsidiary	2019			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Yellow Crane Tower Wine Co., Ltd	1,153,666,330.72	123,013,988.73	123,013,988.73	78,635,264.01

(Continued)

Name of subsidiary	2018

	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Yellow Crane Tower Wine Co., Ltd	866,368,765.24	93,215,106.83	93,215,106.83	172,572,976.32

7.2 No Interests in Joint Arrangements or Associates

8. RISKS RELATED TO FINANCIAL INSTRUMENTS

Risks related to the financial instruments of the Company arise from the recognition of various financial assets and financial liabilities during its operation, including credit risk, liquidity risk and market risk.

Management of the Company is responsible for determining risk management objectives and policies related to financial instruments. Operational management is responsible for the daily risk management through functional departments. Internal audit department is responsible for the daily supervision of implementation of the risk management policies and procedures, and report their findings to the audit committee in a timely manner.

Overall risk management objective of the Company is to establish risk management policies to minimize the risks without unduly affecting the competitiveness and resilience of the Company.

8.1 Credit Risk

Credit risk is the risk of one party of the financial instrument face to a financial loss because the other party of the financial instrument fails to fulfill its obligation. The credit risk of the Company is related to cash and equivalent, notes receivable, accounts receivables, other receivables and long-term receivables. Credit risk of these financial assets is derived from the counterparty’s breach of contract. The maximum risk exposure is equal to the carrying amount of these financial instruments.

Cash and cash equivalent of the Company has lower credit risk, as they are mainly deposited in such financial institutions as commercial bank, of which the Company thinks with higher reputation and financial position.

For notes receivable, other receivables and long-term receivables, the Company establishes related policies to control their credit risk exposure. The Company assesses credit capability of its customers and determines their credit terms based on their financial position, possibility of the guarantee from third party, credit record and other factors. The Company monitors its customers’ credit record periodically, and for those customers with poor credit record, the Company will take measures such as written call, shortening or cancelling their credit terms so as to ensure the overall credit risk of the Company is controllable.

8.2 Liquidity Risk

Liquidity risk is the risk of shortage of funds when fulfilling the obligation of settlement by delivering cash or other financial assets. The Company is responsible for the capital management of all of its subsidiaries, including short-term investment of cash surplus and dealing with forecasted cash demand by raising loans. The Company's policy is to monitor the demand for short-term and long-term floating capital and whether the requirement of loan contracts is satisfied so as to ensure to maintain adequate cash and cash equivalents.

8.3 Market Risk

(a) Foreign currency risk

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

(b)Interest rate risk

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

(c) Other price risk

The Held-for-trading financial assets of the Company is measured by fair value. So, the Company bears the risk of the change of security market. To decrease the risk, the management decided that the Company held a combination of several equities and securities.

9. FAIR VALUE DISCLOSURES

The inputs used in the fair value measurement in its entirety are to be classified in the level of the hierarchy in which the lowest level input that is significant to the measurement is classified.

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Inputs for the assets or liabilities (other than those included in Level 1) that are either directly or indirectly observable.

Level 3: Inputs are unobservable inputs for the assets or liabilities

9.1 Assets and Liabilities Measured at Fair Value at 31 December 2019

Items	Fair value at 31 December 2019			
	Level 1	Level 2	Level 3	Total

Recurring fair value measurements				
(a) Held-for-trading financial assets				
(i) Financial assets at fair value through profit or loss	-	509,031,097.02	-	509,031,097.02
Debt instruments	-	-	-	-
Bank financial products	-	297,146,591.78	-	297,146,591.78
Fund investment	-	211,884,505.24	-	211,884,505.24
Total assets measured at fair value on a recurring basis	-	509,031,097.02	-	509,031,097.02

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The fair value of financial instruments not traded in an active market is determined by using valuation techniques. Specific valuation techniques used to value the above financial instruments include discounted cash flow and market approach to comparable company model. Inputs in the valuation technique include risk-free interest rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, discount for lack of liquidity.

9.2 Valuation Technique(s), Qualitative and Quantitative Information about the Significant Inputs Used for Fair Value Measurement in Level 2 on a Recurring or Nonrecurring Basis

The items of fair value measurement in Level 2 of the Company are mainly about bank financial products and fund investments. For bank financial products, the Company shall calculate its rate of return based on the observable market rate of return on the financial products, in order to determine the gains or losses arising from the changes in fair value , and then finally recognize the value of held-for-trading financial assets. For fund investment, the Company shall determine the gains or losses arising from changes in fair value and the value of held-for-trading financial assets according to the valuation table of securities investment fund provided by asset management company.

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Recognition of related parties: The Company has control or joint control of, or exercise significant influence over another party; or the Company is controlled or jointly controlled, or significant influenced by another party.

10.1 General Information of the Parent Company

Name of the parent	Registered address	Nature of the business	Registered capital	Percentage of equity interests in the	Voting rights in the

				Company (%)	Company (%)
AnhuiGujing Group Co., Ltd.	Anhui Bozhou	Drink, building materials, manufacture plastic production	1,000,000,000.00	53.89	53.89

(b) Ultimate controlling party of the Company

The ultimate controller is the government of Bozhou, Anhui province.

10.2 General Information of Subsidiaries

Details of the subsidiaries please refer to *Notes 7 INTERESTS IN OTHER ENTITIES.*

10.3 Joint Ventures and Associates of the Company

(a) General information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*

10.4 Other Related Parties of the Company

Name	Relationship with the Company
Anhui Ruifuxiang Food Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing catering management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Haochidian Catering Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Shanghai Ruiyao Hotel Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Shanghai Beihai Hotel Co., Ltd	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing Business Travel (Group) Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Hotel Co., Ltd.	An affiliate of the actual controller and controlling

	shareholder
Anhui Gujing Real Estate Group Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Orient Ruijing Enterprise Investment Development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Hengxin Pawn Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Ruineng Thermal Power Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Hefei Gujing Holiday Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Furuixiang high protein feed Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing restaurant management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruixin pawn Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Zhongxin finance lease Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Huixin finance invest group Co., Ltd	An affiliate of the actual controller and controlling shareholder
Hefei Longxin Financial Management Consulting Co., Ltd	An affiliate of the actual controller and controlling shareholder
Bozhou Anxin Micro Finance Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Dazhongyuan Wine valley culture tourism development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	An affiliate of the actual controller and controlling shareholder
Anhui gujing hotel management Co., Ltd.	An affiliate of the actual controller and controlling shareholder

Anhui Youxin Financing guarantee Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Aoxin Real estate development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Lixin Electronic commerce Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Xinxin Property management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Huishenglou Catering Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Gujing Junlai Hotel Management Co., Ltd	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Property Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Real estate development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing international tourism Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Jinzhai Gujing Real Estate Development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Health Industry Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Lejiu Home Tourism Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Shenglong Commercial Co., Ltd.	An affiliate of the actual controller and controlling shareholder

10.5 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

Purchases of goods, receiving of services:

Related parties	Nature of the	2019	2018

	transaction(s)		
Anhui Gujing international tourism Co., Ltd.	Labor and accommodation service	2,742,924.44	1,208,159.67
Anhui Gujing Group Co., Ltd.	Labor service	-	62,068.97
Anhui Gujing Group Co., Ltd.	Purchase of materials	3,900.00	-
Anhui Gujing Health Industry Co., Ltd.	Purchase of materials and labor service	19,433.63	195,685.75
Anhui gujing hotel management Co., Ltd.	Catering and accommodation service	606,319.42	854,430.39
Anhui gujing hotel management Co., Ltd.	Purchase of materials and labor service	138,836.65	-
Anhui Haochidian Catering Co., Ltd.	Catering and accommodation service	52,807.43	558,175.10
Anhui Haochidian Catering Co., Ltd.	Purchase of materials and labor service	12,906,491.94	-
Anhui Huixin finance invest group Co. Ltd.	Labor service	57,200.80	212,248.30
Anhui Ruifuxiang Food Co., Ltd.	Purchase of materials	24,227.98	-
Anhui Ruijing catering management Co., Ltd.	Catering service	51,171.00	51,631.00
Anhui Ruijing Business Travel (Group) Co., Ltd.	Purchase of materials and labor service	4,872,511.46	43,413.71
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Labor service	31,849.06	1,173,301.27
Bozhou Hotel Co., Ltd.	Catering and	5,761,744.42	5,007,403.41

	accommodation service		
Bozhou Gujing Huishenglou Catering Co., Ltd.	Catering and accommodation service	6,058,768.50	3,233,671.00
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Purchase of materials and labor service	89,950.55	
Anhui Lvyuan ecological agriculture Co.,Ltd	Purchase of materials and labor service	1,226,503.81	
Hefei Gujing Holiday Hotel Co., Ltd.	Purchase of materials	520,630.53	-
Hefei Gujing Holiday Hotel Co., Ltd.	Catering and accommodation service	15,915.26	403,358.10
Total	——	35,181,186.88	13,003,546.67

Sales of goods and rendering of services:

Related parties	Nature of the transaction(s)	2019	2018
Anhui Aoxin Real estate development Co., Ltd.	Sales of liquor	-	13,424.13
Anhui Gujing Real Estate Group Co., Ltd.	Labor service	-	397,665.85
Anhui Gujing Real Estate Group Co., Ltd.	Sales of liquor	-	347,880.88
Anhui Gujing international tourism Co., Ltd.	Catering and accommodation service	206.00	51,744.46
Anhui Gujing international tourism Co., Ltd.	Sales of small materials	702.45	-
Anhui Gujing international tourism Co., Ltd.	Catering and accommodation service	1,009.71	-

Anhui Gujing Group Co., Ltd.	Catering and accommodation service	246,231.14	384,753.34
Anhui Gujing Group Co., Ltd.	Labor service	-	16,587.36
Anhui Gujing Group Co., Ltd.	Sales of small materials	217,725.29	283,450.69
Anhui Gujing Health Industry Co., Ltd.	Catering and accommodation service	37,207.00	9,966.00
Anhui Gujing Health Industry Co., Ltd.	Labor service	844,992.46	226,290.57
Anhui Gujing Health Industry Co., Ltd.	Sales of liquor	10,075,939.40	6,396,104.00
Anhui Gujing Health Industry Co., Ltd.	Sales of small materials	10,036.51	39,450.74
Anhui gujing hotel management Co., Ltd.	Sales of liquor	93,532.67	135,940.30
Anhui Haochidian Catering Co., Ltd.	Labor service	-	33,962.26
Anhui Haochidian Catering Co., Ltd.	Sales of liquor	23,362.83	36,433.69
Anhui Hengxin Pawn Co., Ltd.	Sales of liquor	5,352.21	8,380.14
Anhui Huixin finance invest group Co. Ltd.	Sales of liquor	470,513.04	1,552,580.62
Anhui Jinzhai Gujing Real Estate Development Co., Ltd.	Sales of liquor	-	143,796.76
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of hydropower	305,723.42	71,030.79
Anhui Lejiu Home Tourism Management Co., Ltd.	Catering and accommodation service	-	5,595.00
Anhui Lejiu Home Tourism Management Co., Ltd.	Labor service	-	7,547.17

Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of small materials	11,685.59	64,006.61
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of liquor	6,837.04	-
Anhui Lixin Electronic commerce Co., Ltd.	Sales of liquor	335,889.03	117,628.42
Anhui Ruifuxiang Food Co., Ltd.	Sales of liquor	-	588,449.78
Anhui Ruijing Business Travel (Group) Co., Ltd.	Catering and accommodation service	49,989.56	93,389.27
Anhui Ruijing Business Travel (Group) Co., Ltd.	Sales of liquor	5,370,339.55	8,239,198.27
Anhui Ruijing Business Travel (Group) Co., Ltd.	Sales of packaging materials	-	832.76
Anhui Ruixin pawn Co. Ltd.	Sales of liquor	6,453.98	14,452.08
Anhui Shenglong Commercial Co., Ltd.	Catering and accommodation service	17,223.00	16,270.00
Anhui Shenglong Commercial Co., Ltd.	Sales of liquor	1,045,891.85	470,660.35
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Catering and accommodation service	-	400.00
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Sales of small materials	1,551.27	30,008.04
Anhui Xinxin Property management Co., Ltd.	Sales of liquor	-	39,795.45
Anhui youxin financing guarantee Co,.Ltd	Sales of liquor	5,925.58	7,672.40
Anhui Zhongxin finance lease Co. Ltd.	Sales of liquor	11,559.56	13,259.55
Bozhou Anxin Micro Finance	Sales of liquor	9,927.68	13,270.29

Co., Ltd.			
Bozhou Hotel Co., Ltd.	Labor service	-	113,206.84
Bozhou Hotel Co., Ltd.	Sales of liquor	17,379.31	61,271.22
Bozhou Gujing Hotel Co.,Ltd	Sales of liquor	-	16,408.09
Bozhou Gujing Huishenglou Catering Co., Ltd.	Sales of liquor	41,023.88	43,547.75
Bozhou Gujing Property management Co., Ltd.	Sales of liquor	-	60,892.13
Bozhou Gujing Real Estate Group Co., Ltd.	Catering and accommodation service	-	1,360.00
Bozhou Gujing Real Estate Group Co., Ltd.	Sales of liquor	-	19,694.42
Bozhou Ruifuxiang High Protein Feed Co., Ltd.	Sales of liquor	11,405.17	32,141.00
Bozhou Ruineng Thermal Power Co., Ltd.	Sales of liquor	312,907.44	258,281.65
Bozhou Ruineng Thermal Power Co., Ltd.	Labor service	24,866.94	269,024.61
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Sales of small materials	-	29,526.70
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Catering and accommodation service	5,155.00	22,241.00
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Labor service	17,459.86	167,030.67
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Sales of liquor	2,016,097.62	1,959,896.18
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Utility fees	68,741.74	64,024.27

Hefei Gujing Holiday Hotel Co., Ltd.	Catering and accommodation service	13,139.65	57,216.80
Hefei Gujing Holiday Hotel Co., Ltd.	Sales of liquor	-	15,517.24
Hefei Longxin Financial Management Consulting Co., Ltd	Sales of liquor	-	2,684.82
Shanghai Beihai Hotel Co., Ltd	Sales of liquor	16,566.37	-
Anhui Lvyuan ecological agriculture Co.,Ltd	Labor service	10,058.85	-
Anhui Lvyuan ecological agriculture Co.,Ltd	Sales of small materials	14,258.21	-
Anhui Gujing International development Co,.Ltd	Catering and accommodation service	11,940.00	-
Anhui Gujing International development Co,.Ltd	Sales of liquor	531,906.52	-
Total	——	22,318,714.38	23,065,843.41

(b) Leases

The Company as lessor:

The lessee	Type of assets	2019	2018
Anhui gujing hotel management Co., Ltd.	Buildings and constructions	1,088,012.40	493,611.91
Total	——	1,088,012.40	493,611.91

The Company as lessee:

The lessor	Type of assets	2019	2018
Anhui Gujing Group Co., Ltd.	Buildings and constructions	1,799,774.91	2,190,476.20
Total	——	1,799,774.91	2,190,476.20

(c) Key management personnel compensation

Items	2019	2018
Key management personnel compensation	12,856,300.00	9,473,400.00

10.6 Receivables and Payables with Related Parties

(a) Receivables

Items	Related parties	31 December 2019		31 December 2018	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Anhui Gujing Real Estate Group Co., Ltd.	-	-	25,342.50	253.43
Other receivables	Bozhou Ruineng Thermal Power Co., Ltd.	-	-	14,521.45	145.21

(b) Payables

Items	Related parties	31 December 2019	31 December 2018
Accounts payable	Anhui Ruijing Business Travel (Group) Co., Ltd.	147,120.00	-
Advances from customers	Anhui Ruijing Business Travel (Group) Co., Ltd.	913,047.40	4,085,856.31
Advances from customers	Dazhongyuan Wine valley culture tourism development Co., Ltd.	490,292.90	1,881,236.80
Advances from customers	Anhui Gujing Health Industry Co., Ltd.	6,625,624.40	4,036,729.60
Advances from customers	Bozhou Ruineng Thermal Power Co., Ltd.	2,883.84	43,200.00
Advances from	Anhui Gujing International	1,038,479.00	-

customers	development Co., Ltd.		
Advances from customers	Anhui Shenglong Commercial Co., Ltd.	144,580.50	-
Other payables	Anhui Gujing Hotel Development Co., Ltd.	50,000.00	50,000.00
Other payables	Anhui Ruijing Business Travel (Group) Co., Ltd.	85,000.00	35,000.00
Other payables	Dazhongyuan Wine valley culture tourism development Co., Ltd.	50,000.00	-
Other payables	Anhui Gujing International development Co., Ltd.	16,200.00	-
Other payables	Anhui Shenglong Commercial Co., Ltd.	4,300.00	-

11. COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

(a) Performance commitment

According to the equity transfer agreement regarding the acquisition of Yellow Crane Tower Wine Co., Ltd. (herinafter, Yellow Crane Tower Wine) between Wuhan Tianlong Investment Group Co., Ltd., the natural person YAN, Hongye and the Company, the Company promised that the operating revenues of Yellow Crane Tower Wine would be no less than the following data (tax inclusive):

Unit: RMB 10,000 yuan

Year	2017	2018	2019	2020	2021
Promised operating revenue (Tax inclusive)	80,500.00	100,625.00	130,812.50	170,056.25	204,067.50

Meanwhile, within five years after the delivery date (excluding the year in which the target stock is delivered), the net profit margin on sales of Yellow Crane Tower Wine (the actual net profit / operating revenues of Yellow Crane Tower Wine in current year) shall be no less than 11% for each year. If the audited net profit margin on sales of Yellow Crane Tower Wine is less than 11% per annum, the Company shall compensate for the difference in accordance with the agreement. If the net profit margin on sales of Yellow Crane Tower Wine is less than 11% for consecutive two years, the transferor will have the right to repurchase all of the shares of Yellow Crane Tower held by the

Company, and the repurchase price is RMB 816 million.

The achievement of performance commitment in the separate financial statements of Yellow Crane Tower Wine for the year 2019 is as follows:

Unit: RMB 10,000 yuan

Items	Actual number	Commitment number	Difference	Completion rate
Operating revenues (including tax)	131,006.46	130,812.50	193.96	100.15%
Net profit	12,860.37	12,298.61	561.76	104.57%
The net profit margin on sales	11.15%	11.00%	0.15%	101.36%

11.2 Contingencies

As at 31st December 2019, The Company has no contingencies need to be disclosed.

12. EVENTS AFTER THE REPORTING PERIOD

12.1 Profit Distribution

On April 24, 2020, the Company held the 10th meeting of eighth session Board of Directors which approved profit distribution plan for the year of 2019. The Company plans to use the total share of 503,600,000.00 of the Company at 31/12/2019 as a base, to distribute RMB 15.00 (before tax) for every 10 shares, and as a result to distribute RMB 755,400,000.00 to all shareholders. The profit distribution plan is pending the approval of the General Meeting of shareholders of the Company.

12.2 As at April 24, 2020, except for the above mentioned matter, the Company has no other events after the reporting period need to be disclosed

13. OTHER SIGNIFICANT MATTERS

13.1 Segment Information

(a) Basis of identification and accounting policies of reportable segments

The Company did not determine the operating segment in accordance with the internal organizational structure, management requirements, and internal reporting system, so there was no need to disclose segment information report based on the operating segments.

14. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

14.1 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 December 2019	31 December 2018
Within one year	218,558,555.07	9,385,950.54
Including:1-6months	218,558,555.07	9,385,950.54
7-12months	-	-
1-2 years	-	-
2-3 years	-	-
Over 3 years	141,121.87	141,121.87
Subtotal	218,699,676.94	9,527,072.41
Less: provision for bad debt	141,121.87	141,121.87
Total	218,558,555.07	9,385,950.54

(b) Accounts receivable by bad debt provision method

Category	31 December 2019				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	218,699,676.94	100.00	141,121.87	0.06	218,558,555.07
Including: Group1	218,558,555.07	99.94	-	-	218,558,555.07
Group2	141,121.87	0.06	141,121.87	100.00	-
Total	218,699,676.94	100.00	141,121.87	0.06	218,558,555.07

（Continued）

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognised individually	-	-	-	-	-

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognised individually	-	-	-	-	-
Accounts receivable with bad debt provision recognised collectively by similar credit risk characteristics	9,527,072.41	100.00	141,121.87	1.48	9,385,950.54
Accounts receivable with individually insignificant balance but provision for bad debt recognised	-	-	-	-	-
Total	9,527,072.41	100.00	141,121.87	1.48	9,385,950.54

At 31 December 2019, accounts receivable with bad debt provision recognised collectively by group 1

Aging	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Related parties within the scope of consolidation	218,558,555.07	-	-
Total	218,558,555.07	-	-

At 31 December 2019, accounts receivable with bad debt provision recognised collectively by group 2

Aging	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year			
1-2 years	-	-	-
2-3 years	-	-	-

Over 3 years	141,121.87	141,121.87	100.00
Total	141,121.87	141,121.87	100.00

Note: for details of recognition criteria and explanation for provision for bad debt by group, please refer to Notes 3.10.

At 31 December 2018, accounts receivable with bad debt provision recognised collectively by group 1

Aging	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Related parties within the scope of consolidation	9,385,950.54	-	-
Total	9,385,950.54	-	-

At 31 31 December 2018, accounts receivable with bad debt provision recognised collectively by group 2

Aging	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year			
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	141,121.87	141,121.87	100.00
Total	141,121.87	141,121.87	100.00

Note: for details of recognition criteria and explanation for provision for bad debt by group, please refer to Notes 3.12.

(c) Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Provision for bad debt recognised	-	-	-	-	-	-	-

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
individually							
Provision for bad debt recognized collectively	141,121.87	-	141,121.87	-	-	-	141,121.87
Total	141,121.87	-	141,121.87	-	-	-	141,121.87

(d) At 31 December 2019, top five closing balances by entity

Entity name	Balance at 31 December 2019	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
No. 1	216,474,060.56	98.98	-
No. 2	1,354,558.76	0.62	-
No. 3	587,904.33	0.27	-
No. 4	141,121.87	0.06	141,121.87
No. 5	96,544.61	0.04	-
Total	218,654,190.13	99.97	141,121.87

14.2 Other Receivables

(a) Other receivables by category

Items	31 December 2019	31 December 2018
Interest receivable	301,888.89	-
Dividend receivable	-	-
Other receivables	124,917,324.95	110,800,665.19
Total	125,219,213.84	110,800,665.19

(b) Other receivables

(i) Other receivables by aging

Aging	31 December 2019	31 December 2018

Aging	31 December 2019	31 December 2018
Within one year	64,773,476.22	110,277,405.24
Including:1-6months	50,595,906.92	37,174,657.11
7-12months	14,177,569.30	73,102,748.13
1-2 years	59,983,186.13	614,189.72
2-3 years	525,794.00	-
Over 3 years	41,540,607.44	41,540,607.44
Subtotal	166,823,063.79	152,432,202.40
Less: provision for bad debt	41,905,738.84	41,631,537.21
Total	124,917,324.95	110,800,665.19

(ii) Other receivables by nature

Nature	31 December 2019	31 December 2018
Related parties within the scope of consolidation	120,200,301.28	108,389,173.96
Security investment	40,850,949.35	40,850,949.35
Security deposit and guarantee	1,850,139.09	909,657.06
Rent, water, electricity and gas	853,843.90	639,732.73
Others	3,067,830.17	1,642,689.30
Total	166,823,063.79	152,432,202.40

(iii) Other receivables by bad debt provision method

A. At 31 December 2019, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Book value
Stage 1	125,972,114.44	1,054,789.49	124,917,324.95
Stage 2	-	-	-
Stage 3	40,850,949.35	40,850,949.35	-
合计	166,823,063.79	41,905,738.84	124,917,324.95

A1. At 31 December 2019, provision for bad debt in stage 1

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	-	-	-	-
Provision for bad debt recognized collectively	125,972,114.44	0.84	1,054,789.49	124,917,324.95
Including: Group1	120,200,301.28	-	-	120,200,301.28
Group2	5,771,813.16	18.27	1,054,789.49	4,717,023.67
Total	125,972,114.44	0.84	1,054,789.49	124,917,324.95

At 31 December 2019, other receivables with bad debt provision recognised collectively by group 2

Aging	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Within one year	4,312,272.07	77,825.50	1.80
Including:1-6months	3,444,702.77	34,447.03	1.00
7-12months	867,569.30	43,378.47	5.00
1-2 years	244,089.00	24,408.90	10.00
2-3 years	525,794.00	262,897.00	50.00
Over 3 years	689,658.09	689,658.09	100.00
Total	5,771,813.16	1,054,789.49	18.27

A2. At 31 December 2019, provision for bad debt at stage 3:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	40,850,949.35	100.00	40,850,949.35	-
Provision for bad debt recognized collectively	-	-	-	-
Including: Group1	-	-	-	-
Group2	-	-	-	-
Total	40,850,949.35	100.00	40,850,949.35	-

At 31 December 2019, other receivables with provision for bad debt recognised individually

Entity name	31 December 2019			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Hengxin securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	Enterprise enters the bankruptcy liquidation procedure
Jiaoqiao securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	Enterprise enters the bankruptcy liquidation procedure
Total	40,850,949.35	40,850,949.35	-	-

B. At 31 December 2018, provision for bad debt using incurred loss model：

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognised individually	40,850,949.35	26.80	40,850,949.35	100.00	-
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	111,581,253.05	73.20	780,587.86	0.70	110,800,665.19
Other receivable with individually insignificant balance but recognised provision for bad debt individually	-	-	-	-	
Total	152,432,202.40	100.00	41,631,537.21	27.31	110,800,665.19

B1. At 31 December 2018, other receivables with individually significant balance and recognised provision for bad debt individually

Entity name	31 December 2018			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Hengxin securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	Enterprise enters the bankruptcy liquidation
Jiaoqiao securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	Enterprise enters the bankruptcy liquidation
Total	40,850,949.35	40,850,949.35	-	-

B2. At 31 December 2018, other receivables with bad debt provision recognised collectively by aging analysis

Aging	31 December 2018		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within one year	1,888,231.28	29,510.79	1.56
Including:1-6months	1,622,519.22	16,225.19	1.00
7-12months	265,712.06	13,285.60	5.00
1-2 years	614,189.72	61,418.98	10.00
2-3 years	-	-	-
Over 3 years	689,658.09	689,658.09	100.00
Total	3,192,079.09	780,587.86	24.45

(iv) Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Provision for bad debt	40,850,949.35	-	40,850,949.35	-	-	-	40,850,949.35

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
recognised individually							
Provision for bad debt recognized collectively	780,587.86	-	780,587.86	274,201.63	-	-	1,054,789.49
Total	41,631,537.21	-	41,631,537.21	274,201.63			41,905,738.84

(v) Top five closing balances by entity

Entity name	Nature	Balance at 31 December 2019	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
No. 1	Related party within the scope of consolidation	87,260,433.13	Within 1 year	52.31	-
No. 2	Security Investment	29,010,449.35	Over 3 years	17.39	29,010,449.35
No. 3	Related party within the scope of consolidation	16,080,553.93	Within 1 year	9.64	-
No. 4	Security Investment	11,840,500.00	Over 3 years	7.10	11,840,500.00
No. 5	Related party within the scope of consolidation	11,445,506.42	Within 1 year	6.86	-
Total	——	155,637,442.83	——	93.30	40,850,949.35

14.3 Long-term Equity Investments

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount

Subsidiaries	1,148,213,665.32	-	1,148,213,665.32	1,148,213,665.32	-	1,148,213,665.32
Total	1,148,213,665.32	-	1,148,213,665.32	1,148,213,665.32	-	1,148,213,665.32

(a) Investments in subsidiaries

Investees	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019	Provision for impairment during the reporting period	Provision for impairment at 31 December 2019
Bozhou Gujing Sales Co., Ltd.	68,949,286.89	-	-	68,949,286.89	-	-
Anhui Longrui Glass Co., Ltd	85,267,453.06	-	-	85,267,453.06	-	-
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	49,906,854.63	-	-	49,906,854.63	-	-
Bozhou Gujing Hotel Co., Ltd.	648,646.80	-	-	648,646.80	-	-
Anhui Ruisiweier Technology Co., Ltd	40,000,000.00	-	-	40,000,000.00	-	-
Anhui Baiweilu Liquor Co., Ltd.	30,000,000.00	-	-	30,000,000.00	-	-
Anhui Yuanqing Environmental Protection Co., Ltd.	16,000,000.00	-	-	16,000,000.00	-	-
Anhui Gujing Yunshang	5,000,000.00	-	-	5,000,000.00	-	-

Electronic Commerce Co., Ltd.						
Anhui Zhenrui Construction Engineering Co., Ltd	10,000,000.00	-	-	10,000,000.00	-	-
Yellow Crane Tower Wine Co., Ltd	816,000,000.00	-	-	816,000,000.00	-	-
Anhui Jinyunnan Cultural Media Co., Ltd.	15,000,000.00	-	-	15,000,000.00	-	-
Bozhou Gujing Waste Recycling Co., Ltd.	1,441,423.94	-	-	1,441,423.94	-	-
Anhui Runanxinke Testing Technology Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Total	1,148,213,665.32	-	-	1,148,213,665.32	-	-

14.4 Revenue and Cost of Sales

Items	2019		2018	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	5,485,034,001.70	2,217,395,489.41	4,170,643,216.51	1,706,721,317.44
Other activities	79,861,568.03	51,860,608.37	84,659,046.87	65,731,271.22
Total	5,564,895,569.73	2,269,256,097.78	4,255,302,263.38	1,772,452,588.66

14.5 Investment Income

Items	2019	2018
Investment income from long-term equity investments under cost method	770,000,042.30	838,858,228.79
Gains on disposal of financial assets at fair value through profit or loss	-	1,238,951.28
Investment income from held-to-maturity investments during the holding period	-	75,591,043.12
Investment income from available-for-sale financial assets during the holding period	-	20,344,605.22
Gains on disposal of available-for-sale financial assets	-	17,430,694.36
Investment income from held-for-trading financial assets during the holding period	76,168,001.78	-
Total	846,168,044.08	953,463,522.77

15. SUPPLEMENTARY INFORMATION

15.1 Extraordinary Gains or Losses

Items	2019	2018	Description
Gains /(losses) on disposal of non-current assets	-7,615,741.56	-10,060,019.55	
Government grants recognised in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	98,293,177.32	36,041,674.45	
Gains /(losses) arising from changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment except effective hedging transactions related to	144,234,319.52	18,653,228.80	

the Company's principal activities			
Other non-operating income/expenses except for items mentioned above	57,215,092.96	32,375,890.89	
Other extraordinary gains/(losses) defined	-	-	
Total extraordinary gains/(losses)	292,126,848.24	77,010,774.59	
Less: tax effect	71,418,613.38	18,150,068.72	
Less: net extraordinary gains/(losses) attributable to non-controlling interest	14,277,652.37	1,833,517.16	
Net extraordinary gains/(losses) attributable to ordinary shareholders	206,430,582.49	57,027,188.71	

15.2 Return on Net Assets and Earnings Per Share ('EPS')

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	25.55	4.17	4.17
Net profit attributable to ordinary shareholders after extraordinary gains and losses	23.03	3.76	3.76

Part XIII Documents Available for Reference

(I) The financial statements carrying the signatures and stamps of the Company's legal representative, Chief Accountant and head of the accounting department;

(II) The original copy of the Independent Auditor's Report stamped by the CPA firm as well as signed and stamped by the engagement certified public accountants;

(III) The originals of all the Company's announcements and documents disclosed on media designated by the China Securities Regulatory Commission during the Reporting Period; and

(IV) The annual report disclosed in other securities markets.

Chairman of the Board: 梁金辉

(Liang Jinhui)

Anhui Gujing Distillery Company Limited

安徽古井贡酒股份有限公司

24 April 2020