

Yantai Changyu Pioneer Wine Co., Ltd.
2020 Semi-annual Report

Final 2020-03

August, 2020

Contents

2020 Semi-annual Report	1
I. Important Notice, Contents and Definition	3
II. Brief Introduction for the Company and Main Financial Indicators	5
III. Summary of the Company's Businesses	9
IV. Management Discussion and Analysis	13
V. Major issues	29
VI. Changes in Shares and the Shareholders' Situation	44
VII. Related Situation of Preferred Shares	50
VIII. Related Situation of Convertible Corporate Bonds	50
IX. Situation for Directors, Supervisors, Senior Executives	51
X. Related Situation of Corporation Bonds	53
XI. Financial Report	53
XII. Reference Documents	165

I. Important Notice, Contents and Definition

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

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

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

Name of director not attending the meeting personally	Position of director not attending the meeting personally	Reason of not attending the meeting personally	Name of entrustee
Enrico Sivieri	Director	Affected by COVID-19 epidemic	Zhou Hongjiang
Stefano Battioni	Director	Affected by COVID-19 epidemic	Zhou Hongjiang
Aldino Marzorati	Director	Affected by COVID-19 epidemic	Leng Bin
Liu Qinglin	Independent Director	Due to official business	Yu Renzhu

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

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

Definition

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

II、 Brief Introduction for the Company and Main Financial Indicators

1. Company's information

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

2. Contact person and information

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

3. Other information

1) The Company's contact information

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

Available Not available

There is no change in the Company's office address, post code, website and e-mail address during the report period. For detailed information, please refer to 2019 annual report.

2) Information disclosure and file location

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

Available Not available

There is no change in the name of newspapers in which the Company's information is disclosed, the website assigned by CSRC to carry the semi-annual report and the location of the Company's semi-annual report during the report period. For detailed information, please refer to 2019 annual report.

4. Key accounting data and financial indicators

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

Yes No

	During the report period	In the same period of last year	More or less than last year (%)
Business revenue (CNY)	1,401,606,792	2,558,274,785	-45.21%
Net profit attributed to the shareholders of the listed company (CNY)	307,035,572	603,403,789	-49.12%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	266,766,849	552,490,695	-51.72%
Net cash flows from the operating activities (CNY)	-29,652,821	499,476,006	-105.94%
Basic earnings per share (CNY/share)	0.45	0.88	-48.86%
Diluted earnings per share (CNY/share)	0.45	0.88	-48.86%
Weighted average for earning rate of the net assets	2.93%	6.13%	-3.20%
	The end of this report period	The end of last year	More or less than last year (%)
Total assets (CNY)	13,286,972,498	13,647,932,568	-2.64%
Net Assets attributed to the shareholders of the listed company (CNY)	10,131,114,317	10,308,910,198	-1.72%

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

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

Available Not available

Unit: CNY

	Net profit attributed to the shareholders of the listed company		Net Assets attributed to the shareholders of the listed company	
	Current period	Last period	End of period	Beginning of period
According to PRC accounting standards	307,035,572	603,403,789	10,131,114,317	10,308,910,198
Item and amount adjusted according to international accounting standards				
According to international accounting standards	307,035,572	603,403,789	10,131,114,317	10,308,910,198

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

Available Not available

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

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

Available Not available

6. Item and amount of irregular gains and losses

Available Not available

Unit: CNY

Item	Amount	Explanation
Profit and loss on disposal of non-current assets (including the offset of provision for impairment of assets)	39,641	
Government grants credited in current profit and loss (except for government grants that are closely related to the entity's business and are enjoyed with a quota or with a limited quantity in accordance with national uniform standard)	49,780,231	
Other non-operating income and expenditure besides above-mentioned items	3,814,957	
Less: Amount affected by income tax	13,221,932	
Amount affected by minority equity (after tax)	144,174	
Total	40,268,723	-

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

Available Not available

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

III. Summary of the Company's Businesses

1. Main businesses during the report period

During the report period, the Company's main business is to produce and operate wine and brandy, thus providing the domestic and foreign consumers with healthy and fashionable alcoholic drinks. Compared with earlier stage, there are no major changes in the Company's main businesses. The wine industry that the Company involved in is still in growth stage. Although being affected by many factors for the short-term, especially the COVID-19, plus the fierce competition in the market, making the wine consumption temporarily declines, seen from the long term, the whole domestic wine market is on the rising trend. The Company is at the forefront in the domestic wine market.

2. Major changes of main assets

1) Major changes of main assets

Main assets	Explanation of major changes
Equity asset	No major change
Fixed asset	No major change
Intangible asset	No major change
Construction in process	Increasing by 14.02% compared with the same period of last year, mainly owing to the increase in accumulated investment amount of fixed assets

2) Main overseas assets condition

Available Not available

Details of assets	Formation reason	Assets scale	Location	Operating mode	Control measures for safeguarding asset security	Earning position	Proportion of overseas assets in the Company's net assets	Whether there are major impairment risks
Hacienda Y Vinedos Marques Del Atrio, SL	Acquisition of equity	509,150,792	Spain	Independent operation	This Company participates in making important decisions through board of directors and appoints CFO for financial management	10,940,963	5.03%	No
Indomita Wine Company Chile, SpA	Establishment by joint venture	504,027,375	Chile	Independent operation	This Company participates in making important decisions through board of directors and appoints CFO for financial management	3,664,211	4.97%	No
Kilikanoon Estate Pty Ltd	Acquisition of equity	167,190,085	Australia	Independent operation	This Company participates in making important decisions through board of directors	890,266	1.65%	No
Francs Champs Participations SAS	Establishment by sole proprietorship	228,997,008	France	Independent operation	This Company directly appoints senior executive to conduct operation and management	-863,629	2.26%	No
Other condition explanation	No							

3. Analysis of core competitiveness

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

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

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

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

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

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

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

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

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

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

IV. Management Discussion and Analysis

1. Summarization

During the report period, affected by many factors such as the slowdown of domestic economic growth, increased uncertainty caused by Sino-US trade frictions and COVID-19 epidemic, domestic wine consumption has experienced a sharp decline, and market competition is very fierce. The sales of both domestic wine and imported wine continued the “double decline” trend over the past two years. Some wine production and operation enterprises got into trouble. Facing quite a lot of unfavorable factors, while taking the protection of the health of employees and cooperative partners as the top priority of the work, the Company actively resumed all aspects of work based on the unified arrangements of the state and the actual situation. The Company insisted in taking the market as the center, insisted the development strategy of “Focus on high quality, Focus on middle-and-high level, Focus on big product” and the marketing concept of “Increasing sales from the terminal and continuously-cultivated consumers” without wavering, and strove to promote product sales. In the first half year, the Company realized the business income of CNY 1,401.61 million with a year-on-year decrease of 45.21% and the net profit attributable to shareholders of the parent company realized CNY 307.04 million with a year-on-year decrease of 49.12%. During the report period, the Company mainly did following work:

Firstly, the Company bended over backwards to raise anti-epidemic materials, carried out the prevention and control measures, and fight against the epidemic. After the outbreak, the Company immediately formulated relatively strict epidemic prevention and control measures, regulated responsibilities at various levels, paid close attention to relevant policies and measures and epidemic developments, and conducted publicity and guidance work to employees and partners through various tools such as WeChat, in order to guide them to respond correctly, not to be panic, not to believe and spread rumors and to spread positive energy. By contacting overseas acquisition companies and overseas partners, the Company purchased large numbers of anti-epidemic materials such as masks and protective clothing that are shortage in domestic from eight countries including Australia, Spain, Chile, France, South Korea, Japan, Malaysia and Thailand, and also provided a large amount of anti-epidemic materials to the Company’s overseas enterprises when the foreign epidemic situation is severe, better meeting the anti-epidemic needs of domestic and foreign employees and partners.

Secondly, the Company vigorously assisted distributors to accelerate product sales. After the outbreak of the epidemic, due to the drastic reduction in dinner gatherings and the slowdown in sales of alcoholic beverages, there were greater pressures on distributors’ inventory. The Company actively took efforts to make measures and maintained daily communication with distributors through calls, SMS, WeChat, FaceTime, etc. to keep abreast of the market situation and to ensure the normal development of business to the greatest extent. After the country released the restrictions on personnel flow, the Company’s marketing team seized various opportunities and rushed to the front line of the market to carry out marketing activities within the scope of the policy and make great efforts to promote product sales, alleviating the pressure on distributors’ inventory and funds and ensuring the healthy operation in sales channels.

Thirdly, the Company re-marked brand positioning, focused on strategic brands and improved brand manager system. The Company divided the brands of all kinds of alcoholic products into four levels, strategic brand, key brand, cooperative brand and independent brand, according to the resource input, team input and future pursuit goals. Among them, the strategic brand is the brand built with the strength of the whole company, which will be promoted by the main sales team and is the main brand for future sales growth; the key brand is the brand that remains the current investment and policies basically unchanged; the cooperative brand is the brand that the company does not invest in resources and basically does not use the power of the sales team, which grows mainly in virtue of external forces and through actively seeking cooperation with large businessmen. For domestic wine, the Company formed 7 brand manager systems, containing Moser, AFIP and Golden Ice Valley, Castel and Baron Balbon, Rena Castle, Noble Dragon, Zenithwirl and J-Lormin. For Brandy, the Company formed a marketing department system for four major brands including Koya, Five-star, Mminni and Pageese. For imported wine, the Company has formed four brand teams including Kilikanoon, Indomita, Atrio and Mirefleurs. The Company reviewed, summarized, evaluated and improved the marketing contents provided by each brand manager in order to practically guide the market, preliminarily improving the creation and implementation of marketing contents of each brand system.

Fourthly, the Company correctly understood the market development situation and further improved the marketing system. During the report period, with the rapid development of IT and the push from COVID-19, “online shopping” accelerated to replace “offline shopping”, “experiential scenario” accelerated to replace “traditional physical shop”, “online customer acquisition mode” accelerated to replace “traditional customer acquisition mode”, and “online office” accelerated to replace “traditional office”. In order to better adapt to the new market development trends, while consolidating the advantages of traditional channels, the Company vigorously promoted digital marketing transformation, made better use of blockchain technology, exploited new ways for consumers to interact deeply online and widely attract member customers by virtue of the brand applet and Smart Retail Mall applet developed by Tencent in order to further enhance customer stickiness, empower distributors, conduct offline diversion for them, provide big data analysis for regional consumers and accelerate the integration of online and offline businesses. Adopting the idea of “Establishing images and maintaining price system for nationwide brands, focusing on sales of brands owned by E-commerce company”, for Noble Dragon, the Company proposed to adopt the online mode of “1+4” that made the sales in existing E-commerce company continue growing stronger and bigger and newly developed four major online enterprises and launched four individual sets of products to be sold online; for Brandy and Zenithwirl, the Company adopted the mode of “Mainly based on big online enterprises and supplemented by the E-commerce company” to strive to expand the scale of online sales.

Fifthly, the Company continued strengthening quality management and continuously improved product quality. In accordance with the quality improvement programme, the Company increased investment in key links and key equipment affecting product quality. It established brand winemaker system, completed the selection and appointment, salary settings and work procedures settings of winemakers at all levels, clarified the core requirements of winemakers at all levels in product shelf life, blind tasting result, international awards, external quality and presentation ability, and signed work commitment letter with every winemaker to further clarifying the quality improvement responsibilities of winemakers, giving full play to the professional potential of winemakers. It strengthened the integration of

both global raw materials and global winemakers and selected first-class outsourcing design companies for product appearance design to reach the requirement of “not stunning, not to public”. Besides that, the Company established a dual quality evaluation system of internal quality management departments plus external consumers to evaluate the quality in an all-around way and connected the evaluation results with the income of the person in charge of production.

Sixthly, the Company strengthened financial management and internal audit to prevent operational risks. During the report period, the Company mainly strengthened capital management, budget management and tax planning, reduced capital occupation, improved capital turnover efficiency and enhanced the pertinence and effectiveness of budget management. It further improved the financial management system for overseas enterprises and focused on monitoring the cash flow to avoid debt repayment risks. It conducted special audit in key expenses, conducted off-office audit in key personnel, conducted settlement audit in technological transformation and infrastructure projects, and investigated personnel accountable for economic losses, ensuring the full implementation of the Company’s management and control system. It also conducted a comprehensive investigation, statistic and analysis to the inventory of Changyu products held by distributors, which provided important decision-making basis for operating management.

Seventhly, the Company accelerated the reform of employment system and improved the capacity of the team. During the report period, the Company implemented the employment strategy of “Strictly control the number of new recruits and release the restriction in demission”, raised the standards for employing new recruits, adopted the mode of “survival of the fittest”, and improved the overall capacity of the sales team through “upgrade, simplification and absorption”.

In order to achieve the business objectives set by the Company at the beginning of the year, the Company will focus on following work in the second half of 2020:

Firstly, the Company will take “pursuing market health” as the top priority to implement distributor-level code scanning during inbound and outbound and establish the timely reporting and monitoring system for distributors’ inventory. It will establish “limited quantity” and “reduced quantity” rules to distributors selling core products, which will be associated with cross region sales, sales at low price and online sales and so on. In addition, the Company will strengthen the flight audit in allopatric warehouses, cost and distributors’ inventory. It will also vigorously continue promoting the order-driven system to prevent malicious cross region sales, sales at low price and illegal online sales so as to maintain the overall stability and smoothness of the Company’s sales system.

Secondly, the Company will further clarify brand and product positioning, clearly divide strategic brands, key brands, cooperative brands and independent brands, formulate marketing scheme based on “life taste+ health concepts+ consumption guidance”, distribute market resources on the basis of brand positioning and do well in brand building and new product market cultivation in order to better play the role of different brands in promoting and driving product sales.

Thirdly, the Company will strengthen the marketing assessment, determine market

personnel's income, promotion and dismissal through considering the market health degree and the indicator assessment results, adhere to the assessment of proportion of salary in sales amount and proportion of sales expense in pre-tax sales amount, and promote the integration of regional logistics and distribution center in order to better control the market costs.

Fourthly, the Company will further improve the brand winemaker system and continue significantly improving product quality. It will take the best-selling product in domestic and overseas at the similar price as the benchmark, strive to realize a comprehensive surpassing in product quality and cost performance.

Fifthly, the Company will accelerate the pace of digital marketing transformation, work closely with Tencent and other outsourcing units to do well in the production of products integrating "anti-cross-region-sales code + marketing code + anti-counterfeiting code", launch brand applet and Smart Retail Mall applet and strengthen cooperation with major online business so as to constantly expand the sales scale of the Company's online products.

Sixthly, the Company will implement the Youth Excellent Talent Plan and adopt the way of "tutor leading apprentices" for tracking and training to provide more job exchanges and market practice opportunities for outstanding talents, which will enhance working ability and broaden promotion channels.

Seventhly, the Company will scientifically formulate the procurement plan of grapes and other raw materials according to the industry development trend and the Company's future development in order to fully complete the procurement work of raw materials this year.

2. Analysis of main business

Please refer to "1. Summarization" in "Management Discussion and Analysis".

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

Unit: CNY

	In the report period	In the same period of last year	More or less (%)	Reason for changes
Operating revenue	1,401,606,792	2,558,274,785	-45.21%	Mainly owing to the year-on-year decrease in sales volume affected by COVID-19 epidemic
Operating costs	574,650,677	936,252,225	-38.62%	Mainly owing to the year-on-year decrease in sales volume affected by COVID-19 epidemic
Sales expenses	250,531,046	591,970,801	-57.68%	Mainly owing to the year-on-year decrease in marketing activities and marketing input affected by COVID-19 epidemic
Administration expense	113,069,869	155,552,312	-27.31%	Mainly owing to the year-on-year decrease in employee compensation, repair charge and administrative expenses
Financial expense	11,961,102	8,789,583	36.08%	Mainly owing to the significant

				year-on-year increase in long-term loan
Income tax expense	109,689,969	210,281,578	-47.84%	Mainly owing to the significant year-on-year decrease in total profit caused by the reduce in profitability affected by COVID-19 epidemic
Net cash flow from operating activities	-29,652,821	499,476,006	-105.94%	Mainly owing to the significant year-on-year decrease in received cash from selling products and providing labor service affected by COVID-19 epidemic
Net cash flow from investment activities	-39,726,131	-114,534,608	65.32%	Mainly owing to the significant year-on-year decrease in the cash outflow for investment activities including purchase and construction of fixed assets and fixed time deposit etc
Net cash flow from financing activities	4,704,625	-18,128,357	125.95%	Mainly owing to the year-on-year increase in received cash from obtaining bank loan
Net increased amount of cash and cash equivalents	-64,982,286	366,866,743	-117.71%	Mainly owing to the significant year-on-year decrease in received cash from selling products and providing labor service affected by COVID-19 epidemic

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

Available Not available

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

Composition of operating revenue

Unit: CNY

	This report period		The same period of last year		Year-on-year increase or decrease (%)
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	1,401,606,792	100%	2,558,274,785	100%	-45.21%
Sector-classified					
Sector of liquor and alcoholic beverage	1,401,606,792	100%	2,558,274,785	100%	-45.21%
Product-classified					
Wine	993,972,425	70.92%	1,928,554,268	75.38%	-48.46%
Brandy	372,909,239	26.61%	563,451,068	22.02%	-33.82%
Tourism	22,217,264	1.59%	42,604,382	1.67%	-47.85%

Others	12,507,864	0.89%	23,665,067	0.93%	-47.15%
Area-classified					
Domestic	1,183,622,477	84.45%	2,330,780,056	91.11%	-49.22%
Overseas	217,984,315	15.55%	227,494,729	8.89%	-4.18%

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

Available Not available

Unit: CNY

	Operating revenue	Operating cost	Gross margin	Year-on-year increase or decrease (%) of operating revenue	Year-on-year increase or decrease (%) of operating cost	Year-on-year increase or decrease (%) of gross profit rate
Sector-classified						
Sector of liquor and alcoholic beverage	1,401,606,792	574,650,677	59%	-45.21%	-38.62%	-4.40%
Product-classified						
Wine	993,972,425	397,080,517	60.05%	-48.46%	-41.62%	-4.68%
Brandy	372,909,239	164,881,016	55.79%	-33.82%	-28.22%	-3.45%
Tourism	22,217,264	6,492,009	70.78%	-47.85%	-47.25%	-0.33%
Others	12,507,864	6,197,135	50.45%	-47.15%	-56.10%	10.10%
Area-classified						
Domestic	1,183,622,477	442,340,877	62.63%	-49.22%	-44.09%	-3.43%
Abroad	217,984,315	132,309,800	39.30%	-4.18%	-8.84%	3.10%

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

Available Not available

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

Available Not available

During the report period, the Company's operating revenue and operating costs, as well as the operating revenue and operating costs of wine, brandy, tourism and domestic business, all decreased significantly over the same period of last year, mainly due to the decline in the sales volume of products affected by COVID-19 epidemic.

3. Analysis to non-main business

Available Not available

4. Assets and liabilities situation

1) Major changes in assets

Unit: CNY

	The end of this report period		The end of the same period of last year		Proportion increase or decrease (%)	Explanation for major changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,476,207,055	11.11%	1,848,632,953	13.81%	-2.70%	Mainly owing to the year-on-year decrease in the cash inflow for operating activities affected by COVID-19 epidemic
Account receivable	167,738,633	1.26%	186,131,192	1.39%	-0.13%	No major change
Inventory	2,936,133,260	22.10%	2,606,781,436	19.48%	2.62%	Mainly owing to the year-on-year increase in work-in-process including bulk wine at the end of report period
Investment real estate	28,344,687	0.21%	30,560,470	0.23%	-0.02%	No major change
Long-term equity investment	42,810,445	0.32%	0	0%	0.32%	Mainly owing to the establishment of SAS L&M HOLDINGS
Fixed assets	5,818,499,845	43.79%	5,684,612,653	42.48%	1.31%	Mainly owing to the transfer-in of construction in process during the report period
Construction in process	647,036,593	4.87%	789,872,373	5.90%	-1.03%	Mainly owing to the transfer of construction in process into fixed assets during the report period
Short-term borrowing	737,183,701	5.55%	678,170,667	5.07%	0.48%	Mainly owing to the increase in short-term bank loan in the second half year of last year
Long-term loan	218,613,336	1.65%	165,949,250	1.24%	0.41%	No major change

2) Measuring assets and liabilities at fair value

Available Not available

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

For the limitations of assets rights up to the end of the report period, please refer to *Announcement on External Guarantee* (Announcement no.:2016- temporary 021), *Announcement on External Guarantee* (Announcement no.:2018- temporary 020), *Announcement on External Guarantee* (Announcement no.:2019- temporary 038) and *Announcement on Guarantee provided by Spanish Atrio Company for Bank Loan* (Announcement no.:2020- temporary 013) disclosed on *China Securities Journal*, *Securities Times* and CNINFO (<http://www.cninfo.com.cn/>).

5. Investment situation analysis

1) Overall situation

Available Not available

Amount of investment during the report period (CNY)	Amount of investment in the same period of last year (CNY)	Extent of change
180,460,000	210,000,000	-14.07%

2) Situation of major equity investments acquired during the report period

Available Not available

Unit: CNY

Name of the invested company	Main businesses	Investment mode	Investment amount	Shareholding ratio	Capital source	Partners	Investment horizon	Product type	Progress up to the balance sheet date	Estimated profit	Investment profit and loss for current period	Whether or not to prosecute	Disclosure date	Disclosure index
Hacienda Y Vinedos Marques	Production and sales of wines	Acquisition	40,460,000	15%	Self-owned				Completed	0	0	No	April 24 th , 2020	<i>Announcement on Acquiring</i>

Del Atrio, SL															<i>Partial Equity of Spanish Atrio Company (announcement number: 2020-Temporary 14) disclosed on China Securities Journal, Securities Times and CNINFO</i>
Total	-	-	40,460,000	-	-	-	-	-	-	0	0	-	-	-	

3) Situation of ongoing major non-equity investments during the report period

Available Not available

Unit: CNY

Project name	Investment mode	Whether it belongs to fixed	Involved industry	Investment amount during the	Accumulated actual investment	Capital source	Process of project	Estimated income	Accumulated realized income up	Reasons for unreached	Disclosure date	Disclosure index
--------------	-----------------	-----------------------------	-------------------	------------------------------	-------------------------------	----------------	--------------------	------------------	--------------------------------	-----------------------	-----------------	------------------

		assets investment		report period	amount up to the end of the report period				to the end of the report period	planning schedule and estimated income		
Construction project of Yantai Changyu International Wine City blending and cooling center	Self-constructed	Yes	Liquor and alcoholic beverage industry	52,760,000	1,679,054,100	Owned fund	100%	0	0	—	2017.04.22	Please refer to <i>Announcement on Resolution of Seventh Session Board of Directors 4th Meeting, Announcement on Resolution of Seventh Session Board of Directors 8th Meeting, Announcement on Resolution of Seventh Session Board of Directors 10th Meeting and Announcement on Resolution of Eighth Session Board of</i>
Construction project of Yantai Changyu International Wine City bottling center	Self-constructed	Yes	Liquor and alcoholic beverage industry	79,560,000	1,083,760,000	Owned fund	100%	0	0	—	2017.04.22	
Construction project of Yantai Changyu	Self-constructed	Yes	Liquor and alcoholic beverage industry	0	462,677,200	Owned fund	100%	0	0	—	2017.04.22	

International Wine City logistics center												<i>Directors 4th Meeting disclosed on China Securities Journal, Securities Times and CNINFO (http://www.cninfo.com.cn/)</i>
Construction project of Changyu grape and wine research institute	Self-constructed	Yes	Liquor and alcoholic beverage industry	0	122,974,800	Owned fund	85%	0	0	—	2017.04.22	
Construction project of treasure wine chateau	Self-constructed	Yes	Liquor and alcoholic beverage industry	0	128,820,000	Owned fund	75%	0	0	—	2017.04.22	
Construction project of Chateau Koya brandy	Self-constructed	Yes	Liquor and alcoholic beverage industry	0	147,329,000	Owned fund	85%	0	0	—	2017.04.22	
Oak Barrel Procurement Project	Self-constructed	Yes	Liquor and alcoholic beverage industry	0	0	Owned fund	0%	0	0	—	2020.04.24	
Construction project of industrial	Self-constructed	Yes	Liquor and alcoholic beverage	850,000	41,300,000	Owned fund	100%	0	0	—	2018.04.20	

production SAP information			industry									
Procurement project of automatic unibloc equipment for Yantai chateau	Self- constructed	Yes	Liquor and alcoholic beverage industry	4,650,000	4,650,000	Owned fund	100%	0	0	—	2018.04.20	
Construction project of changyu supplier management platform and equipment management platform	Self- constructed	Yes	Liquor and alcoholic beverage industry	2,180,000	2,180,000	Owned fund	60%	0	0	—	2018.04.20	
Total	—	—	—	140,000,000	3,672,745,100	—	—	0	0	—	--	--

4) Financial assets measured at fair value

Available Not available

5) Financial assets investment

(1) Security investment

Available Not available

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

(2) Derivative investment

Available Not available

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

6. Sale of major assets and equities

1) Sale of major assets

Available Not available

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

2) Sale of major equity

Available Not available

7. Analysis to the major holding and joint stock companies

Available Not available

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

Unit: CNY

Company	Company	Main business	Registered capital	Total assets	Net asset	Operation	Operation	Net Profit
---------	---------	---------------	--------------------	--------------	-----------	-----------	-----------	------------

name	type					revenue	profit	
Chateau Changyu Castel Co., Ltd. YANAI	Subsidiary	Development, production and sales of wine and sparkling wine as well as the tourism service	USD 5 million	243,749,063	80,551,417	15,274,042	-444,167	-416,327
Chateau Changyu AFIP Global Wine Co., Ltd.	Subsidiary	Development, production and sales of brandy and wine	CNY 642.75 million	691,598,867	655,545,910	50,688,043	-1,813,776	-2,919,024
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	Production of ice wine	CNY 59.6873 million	71,856,647	44,937,960	7,365,586	-4,517,358	-4,410,928
Hacienda Y Vinedos Marques Del Atrio, SL	Subsidiary	Production and management of wine and other liquors	EUR 2.385732 million	509,150,792	137,006,195	130,982,536	12,630,036	10,940,963
Indomita Wine Company Chile, SpA	Subsidiary	Production and management of wine and other liquors	USD 47.19 million	504,027,375	363,463,691	78,507,227	2,732,103	3,664,211
Kilikanoon Estate Pty Ltd.	Subsidiary	Production and management of wine and other liquors	AUD 6.529221 million	167,190,085	82,374,255	18,928,910	1,271,810	890,266

Acquisition and disposal of subsidiaries during the report period

 Available Not available

Company name	Mode of Acquisition and disposal of subsidiaries during the report period	Effect on overall production and management as well as performance
Yantai Changyu Cultural Tourism Development Co., Ltd.	Transfer of equity as transferee	As a sunrise industry that China strongly supports, tourism has great potential for development. The Company's industrial tourism business has a favorable development prospect. Before then, due to separate operations, it fails to form a joint force, restricting development and growth of both parties' tourism business. Through the transfer of equity as transferee, it could better integrate both parties' tourism business, enrich and improve tourism products and create synergistic effects, accelerating and promoting the development of the Company's tourism business

Explanation for main holding and joint stock companies

During the report period, Chateau Changyu Castel Co., Ltd. YANAI, Chateau Changyu AFIP Global Wine Co., Ltd. and Chateau Liaoning Changyu Ice Wine Co., Ltd. incurred operating losses, mainly owing to the reduce in the product sales volume affected by COVID-19. Owing that above companies sold their products to the Company's sales units and then the Company's sales units sold products to external clients and customers, the losses of above companies are only those arising from its own sales within the Company. Seen from the overall situation, if combining the profit obtained from the external sales of the Company's sales units, the Company's production and operation of above-mentioned companies' products are all profitable.

8. Situation of structured subject controlled by the Company

Available Not available

9. Forecast for the operating performance from January to September of 2019

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

Available Not available

10. Risks faced with by the Company and response measures

1) Risks in price fluctuation of raw materials

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

2) Risks in uncertainty of market input and output

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

3) Risks in product transportation

The Company's products are fragile and sold to all over the world mostly by sea transportation, railway transportation and road transportation. The peak season of sales is usually in cold winter and is close to the spring festival when there is a great need in the market. However, at this time, the domestic transportation departments may be overloaded by the flow of people and logistics, causing serious shortage of transportation capacity. In

addition to natural and human factors such as snow, ice and traffic accidents and so on, there is a possibility that it is difficult to safely and timely transport products to the market, thus facing the potential risk of missing sales peak season. Therefore, the company will strive to reduce such risks by doing well sales forecasts and the connection between production and sales, rationally arranging production and transportation routes and reasonably increasing off-site inventory before the coming of peak season and so on.

4) Risks in investment faults

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

5) Risk in market fluctuation

Affected by COVID-19 epidemic, the Company's offline channels have been severely impacted, traditional marketing methods were difficult to be carried out effectively, and product demands have shrunk sharply. The Company will accelerate the pace of digital marketing transformation, vigorously expand online sales business and promote product sales.

V. Major issues

1. Information for the Shareholders' Meeting and Interim Shareholders' Meeting held during the report period

1) Information for the Shareholders' Meeting during the report period

Session	Meeting type	Participation ratio of investors	Convening date	Disclosure date	Disclosure Index
2019 Annual Shareholders' Meeting	Annual shareholders' meeting	58.32%	2020.05.27	2020.05.28	<i>Announcement on Resolution of 2019 Annual Shareholders' Meeting</i> disclosed in China Securities Journal, SecuritiesTimes and CNINFO
First Interim Shareholders' Meeting in 2020	Interim shareholders' meeting	58.33%	2020.06.19	2020.06.20	<i>Announcement on Resolution of First Interim Shareholders' Meeting in 2020</i> disclosed in China Securities Journal, SecuritiesTimes and CNINFO

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

Available Not available

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

Available Not available

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

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

Available Not available

Commitments	Commitment party	Commitment type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at equity reformation						
Commitments made in acquisition report or equity change report						
Commitments at asset restructuring						
Commitments at the initial public offering or	Yantai Changyu Group Co., Ltd.	Solve horizontal competition	Non-horizontal competition	May 18 th , 1997	Forever	Has been performing

refinancing	Yantai Changyu Group Co., Ltd.	Clear the use of trademark use fee	According to <i>Trademark License Contract</i> , the trademark use fee of Changyu and other trademarks paid by this Company to Yantai Changyu Group Co., Ltd. every year is mainly used for advertising Changyu and other trademarks and the contractual products by Yantai Changyu Group Co., Ltd..	May 18 th , 1997	From May 18 th , 1997 to April 4 th , 2019	According to <i>Trademark License Contract</i> , the trademark use fee annually charged by Yantai Changyu Group Co., Ltd. shall be mainly used to publicize trademarks including Chagnyu and contractual products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai Changyu Group Co., Ltd. has been performing the commitment.
Equity incentive commitments						
Commitments at middle and small shareholders of the Company	Yantai Changyu Group Co., Ltd.	Compensating unredeemed commitment	The CNY 231,768,615 that was not used for publicity of trademarks and contract products as promised will be offset by the four-year trademark use fee from 2019 to 2022. If	April 4 th , 2019	From April 4 th , 2019 to December 31 st , 2023	Has been performing

			insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.			
Commitment under timely implementation or not	No					
Detailed explanation for specific reasons of unimplemented commitment as well as next work plan if commitment is not completed in the commitment period	<p>According to the <i>Trademark License Contract</i> (hereafter referred to as “the Contract”), Changyu Group promises that the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks and contractual products. But above-mentioned ‘mainly’ is not a specific number, which is easy to cause divergence due to different understanding and leads to problem appearance during the implementation process.</p> <p>From 2013 to 2017, Changyu Group collected a total of CNY 420,883,902 trademark use fee, of which 51% was used to publicize trademarks including Changyu and contract products with amount of CNY 214,650,790. The amount has been used to publicize trademarks including Changyu and contract products is CNY 50,025,181, with a balance of CNY 164,625,609.</p> <p>In 2018 and 2019, the trademark use fee collected of 2017 and 2018 is CNY 155,623,907, of which 51% is used to publicize trademarks including Changyu and contract products with amount of CNY 79,368,193. The amount has been used to publicize trademarks including Changyu and contract products is CNY 12,225,187, with a balance of CNY 67,143,006.</p> <p>Since 2013, the accumulated balance of Changyu Group using to publicize trademarks including Changyu and contract products is CNY 231,768,615. Changyu Group promises that the four-year trademark use fee from 2019 to 2022 will be used for offset. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.</p> <p>If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely</p>					

	<p>supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc in order to implement the commitment.</p> <p>For other details, please refer to <i>Announcement on Commitment Issues of Yantai Changyu Group Company Limited</i> disclosed by the Company on April 4th, 2019.</p>
--	---

4. The appointment and dismissal of certified public accountants

Whether the semi-annual report has been audited

Yes No

The semi-annual report has not been audited.

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

Available Not available

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

Available Not available

7. Issues related with bankruptcy reorganization

Available Not available

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

8. Litigation Issue

Material litigation and arbitration

Available Not available

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

Other Litigation Issue

Available Not available

9. Questions from media

Available Not available

There are no questions from media during the report period.

10. Penalty and rectification

Available Not available

There are no penalty and rectification during the report period.

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

Available Not available

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

Available Not available

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

13. Major related transactions

1) Related transactions in relation to routine operations

Available Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY '0000)	Proportion in similar transactions	Approved transaction quota (CNY '0000)	Whether exceeding approved transaction quota	Clearing form	Available market price of similar transactions	Disclosure date	Disclosure index
Yantai Shenma Packaging Co., Ltd.	Controlled by the same parent company	Purchase and manufacturing consignment	Purchase and manufacturing consignment of packaging materials	Contractual pricing	Determined by agreement	3,562	11.23%	10,200	No	Cash	No	April 24 th , 2020	<i>Announcement on 2020 Annual Routine Related Transaction (Announcement no.:2020-Temporary 08) disclosed in China Securities Journal, Securities Times and CNINFO</i>
Total				-	-	3,562	-	10,200	-	-	-	-	-
Details information about the return of large sales				No									
Actual performance of the estimated total amount for daily related transactions that will occur during this report period by category (if have)				No									
Reason for the bigger deference between transaction price and market reference price(if applicable)				No									

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

Available Not available

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

3) Related transactions in relation to common foreign investment

Available Not available

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

4) Related credit and debt dealings

Available Not available

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

Yes No

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

5) Other major related transactions

Available Not available

Disclosure website of interim report for major related transaction

Name of interim announcement	Disclosure date of interim announcement	Name of disclosure website for interim announcement
<i>Announcement on 2020 Annual Routine Related Transaction</i>	April 24 th , 2020	http://www.cninfo.com.cn
<i>Announcement on Transferring Koya and other brands of Yantai Changyu Group Co., Ltd. as Transferee</i>	April 24 th , 2020	http://www.cninfo.com.cn
<i>Announcement on Transferring Full Equity of Yantai Changyu Cultural Tourism Development Co., Ltd. as Transferee</i>	April 24 th , 2020	http://www.cninfo.com.cn

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

Available Not available

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

15. Major contracts and execution condition

1) Trusteeship, contract and lease issues

(1) Trusteeship situation

Available Not available

There is no trusteeship situation during the report period.

(2) Contract situation

Available Not available

Explanation for contract situation

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

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

Available Not available

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

(3) Lease situation

Available Not available

Explanation for lease situation

On January 1st, 2017, the Company renewed the *Space Lease Agreement* with the controlling shareholder Yantai Changyu Group Company Limited. The Company leased the space with 15,196.94 square meters locating at No. 174 Shihuiyao Road, Zhifu District, Yantai City. The rent per year is CNY 1.4645 million with a rental period of 5 years from January 1st, 2017 to December 31st, 2021. On January 1st, 2017, the Company's subordinate Sales & Marketing Co. of Yantai Changyu Pioneer Wine Company Limited Brandy Sales Division renewed the *Space Lease Agreement* with the controlling shareholder Yantai Changyu Group Company Limited, leasing the space with 42,552.83 square meters locating at No. 1 Jichang Road, Zhifu District, Yantai City and the space with 3,038 square meters locating at 56 Dama Road, Zhifu District, Yantai City, which are all under the name of controlling shareholder. The rent of above spaces per year is CNY 4.3935 million with a rental period of 5 years from January 1st, 2017 to December 31st, 2021.

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

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

Available Not available

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

2) Major guarantee

Available Not available

(1) Guarantee situation

Unit: CNY' 0000

External guarantee of the Company and its subsidiaries (excluding guarantee to subsidiaries)								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Economic and Technological Development Zone Management Council	2016.12.22	34,160	2016.12.21	34,160	Mortgage; Pledge	10 years	No	No
Total of the external guarantee quota approved during the report period (A1)				0	Total of the actual external guarantee amount during the report period (A2)		0	
Total of the external guarantee quota approved at the end of the report period (A3)				34,160	Balance of the actual external guarantee at the end of the report period (A4)		34,160	
Guarantee situations between the Company and subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	10 years	No	No
Kilikanoon Estate Pty Ltd.	2018.12.05	8,550	2018.12.06	8,550	Joint liability assurance	5 year	No	No

Yantai Changyu Pioneer Wine Co., Ltd. 2020 Semi-annual Report

Total of the approved guarantee quota to subsidiaries during the report period (B1)		0		Total of the actual guarantee amount for subsidiaries during the report period (B2)		0		
Total of the approved guarantee quota to subsidiaries at the end of the report period (B3)		80,726		Balance of the actual guarantee for subsidiaries at the end of the report period (B4)		80,726		
Guarantee situations between subsidiaries								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
-	-	-	-	-	-	-	-	-
Total of the approved guarantee quota to subsidiaries during the report period (C1)		0		Total of the actual guarantee amount for subsidiaries during the report period (C2)		0		
Total of the approved guarantee quota to subsidiaries at the end of the report period (C3)		0		Balance of the actual guarantee for subsidiaries by the end of the report period (C4)		0		
Total guarantee amount of the Company (Total of above three major items)								
Total of the approved guarantee quota during the report period (A1+B1+C1)		0		Total of the actual guarantee amount during the report period (A2+B2+C2)		0		
Total of the approved guarantee quota at the end of the report period (A3+B3+C3)		114,886		Balance of the actual guarantee by the end of the report period (A4+B4+C4)		114,886		
The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset				11.34%				
Among :								
Balance of guarantee for shareholders, actual controllers and their related parties (D)						0		

Balance of direct or indirect debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% (E)	0
Amount of the part in total guarantee amount that exceed 50% of net assets (F)	0
Total amount of the above-mentioned three items (D+E+F)	0
Explanation for undue guarantees that might bear joint and several responsibilities for clearing the debts during the report period	No
Explanation for violating due process to provide external guarantee (if have)	No

Explanation on specific situations of adapting guarantee by complex methods

No.

(2) Illegal external guarantee

Available Not available

There is no illegal guarantee during the report period.

3) Financial management entrustment

Available Not available

There is no financial management entrustment during the report period.

4) Other major contracts

Available Not available

There are no other major contracts during the report period.

16. Situation for social responsibility

1) Major environmental situation

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

Yes

Name of company or subsidiary	Name of major pollutants and particular pollutants	Mode of discharge	Quantity of discharge outlet	Distribution situation of discharge outlet	Discharge concentration	Implemented pollution discharge standard	Total volume of discharge	Total approved volume of discharge	Condition of excessive discharge
Liaoning Changyu Icewine Chateau Co., Ltd.	Organized exhaust gas, inorganized exhaust gas, wastewater, noise	Discharge outlet of boiler chimney and discharge outlet of factory wastewater	2	Confirmed in line with national standard <i>Graphical Signs for Environmental Protection</i> (GB15562.1-1995) (GB15562.2-1995)	Meeting the national standards	<i>Emission Standard for Air Pollutants of Boiler</i> (GB13271-2014), <i>Emission Standard for Odor Pollutants</i> (GB14554-93), 4a in Class 2 of <i>Emission Standard for Environmental Noise at the Boundary of</i>	35m ³ /d	120m ³ /d	No

						Industrial Enterprises (GB12348-2008), Comprehensive Wastewater Discharge Standard of Liaoning Province (DB21/1627-2008)			
--	--	--	--	--	--	--	--	--	--

Construction and operation of pollution prevention facilities

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

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

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

Emergency plan for emergentenvironmentalincident

The Company has formulated a comprehensive emergency plan for emergentenvironmentalincident.

Environmental self-monitoring program

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

Other environmental information that should be made public

No

Other related environmental information

No

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

(1) Targeted poverty alleviation plan

No

(2) Summary of semi-annual targeted poverty alleviation

No

(3) Effectiveness of targeted poverty alleviation

No

(4) Subsequent plan for targeted poverty alleviation

No

17. Explanation for other major issues

Available Not available

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

18. Major issues of the Company's subsidiaries

Available Not available

VI. Changes in Shares and the Shareholders' Situation

1. Changes in shares

1) Changes in shares

Unit: share

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

Reason of changes in shares

 Available Not available

Approval of changes in shares

 Available Not available

Ownership transfer of changes in shares

Available Not available

Implementation progress of share buy-back

Available Not available

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

Available Not available

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

Available Not available

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

Available Not available

2) Changes in restricted shares

Available Not available

2. Securities issuance and listing situation

Available Not available

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

Unit: share

Total common shareholders at the end of report period		44,334	Total number of preferred shareholder recovering voting power at the end of report period		0			
Shareholders holding more than 5% or shareholdings of the top 10 common shareholders								
Name of Shareholder	Character of shareholder	Shareholding ratio	Common share held at the end of the report period	Changes during the report period	Number of restricted common share	Number of unrestricted common share	Pledged or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO., LTD.	Domestic non-state-owned legal person	50.40%	345,473,856	0	0	345,473,856	-	0
GAOLING FUND,L.P.	Foreign legal person	3.08%	21,090,219	0	0	21,090,219	-	0
CHINA SECURITIES FINANCE CORP	State-owned legal person	2.25%	15,440,794	0	0	15,440,794	-	0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826	0	0	15,241,826	-	0
SHENWAN HONGYUAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	1.20%	8,235,333	-8,000	0	8,235,333	-	0
HONG KONG SECURITIES CLEANING CO., LTD.	Foreign legal person	1.14%	7,815,014	5,823,273	0	7,815,014	-	0
FIDELITY PURITAN TRUST: FIDELITY	Foreign legal person	0.93%	6,350,762	0	0	6,350,762	-	0

SERIES INTRINSIC OPPORTUNITIES FUND								
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.76%	5,224,746	414,401	0	5,224,746	-	0
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	0.69%	4,761,200	0	0	4,761,200	-	0
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	Foreign legal person	0.60%	4,139,187	1,429,492	0	4,139,187	-	0
Situation of Strategic investors or general legal person becoming the top 10 shareholders owing to placing of new shares (if have)(see note 3)		No						
Explanation for above shareholders' associated relationship or concerted action		Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or concerted action relationship with the other 9 circulating shareholders, and the relationship among the other shareholders is unknown.						
Shareholdings of top 10 common shareholders with unrestricted shares								
Name of Shareholders	Number of unrestricted shares held at the end of the report period	Type of share						
		Type of share	Amount					
YANTAI CHANGYU GROUP CO. LTD.	345,473,856	A	345,473,856					
GAOLING FUND,L.P.	21,090,219	B	21,090,219					

CHINA SECURITIES FINANCE CORP	15,440,794	A	15,440,794
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	15,241,826	B	15,241,826
SHENWAN HONGYUAN SECURITIES(HONG KONG) LIMITED	8,235,333	B	8,235,333
HONG KONG SECURITIES CLEANING CO., LTD.	7,815,014	A	7,815,014
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,350,762	B	6,350,762
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	5,224,746	B	5,224,746
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	4,761,200	A	4,761,200
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	4,139,187	B	4,139,187
Explanation for associated relationship or concerted action among top 10 common shareholders with unrestricted shares and between top 10 common shareholders with unrestricted shares and top 10 common shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or concerted action relationship with the other 9 circulating shareholders, and the relationship among the other shareholders is unknown.		
Explanation for top 10 common shareholders who are involved in securities margin trading business	The top 10 shareholders are not involved in securities margin trading business.		

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

Yes No

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

4. Changes in controlling shareholders or actual controllers

Changes in the controlling shareholders during the report period

Available Not available

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

Changes in the actual controllers during the report period

Available Not available

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

VII. Related Situation of Preferred Shares

Available Not available

There are no preferred shares during the report period.

VIII. Related Situation of Convertible Corporate Bonds

Available Not available

There are no convertible corporate bonds during the report period.

IX. Situation for Directors, Supervisors, Senior Executives

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

Available Not available

Name	Position	Status	Number of Shares held at the beginning period (shares)	Increased number of shares held in the current period (shares)	Decreased number of shares held in the current period (shares)	Number of shares held at the end period (shares)	Number of restricted shares granted at the beginning period (shares)	Number of restricted shares granted in the current period (shares)	Number of restricted shares granted at the end period (shares)
Zhou Hongjiang	Chairman	Incumbent	0	25,600	0	25,600	0	0	0
Sun Jian	Director, General manager	Incumbent	0	30,000	0	30,000	0	0	0
Total	-	-	0	55,600	0	55,600	0	0	0

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

Available Not available

Name	Position	Type	Date	Reason
Augusto Reina	Director	Outgoing	2020.02.20	Die of illness
Wei Anning	Independent director	Outgoing	2020.05.11	Resigning for personal reason
Wang Zhuquan	Independent director	Outgoing	2020.05.14	Resigning after serving as an independent director in the Company for 6 years in succession
Stefano Battioni	Director	Be elected	2020.05.27	Being elected as director by the Company's Shareholders' Meeting
Yu Renzhu	Independent director	Be elected	2020.05.27	Being elected as independent director by the Company's Shareholders' Meeting
Zhang Yun	Director	Be elected	2020.06.19	Being elected as director by the Company's Shareholders' Meeting

X. Related Situation of Corporation Bonds

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

No.

XI. Financial Report

1. Audit report

Whether the semiannual report has been audited

Yes No

2. Financial statement

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

2.1 Consolidated balance sheet

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

June 30, 2020

Unit: Yuan

Item	Note	June 30, 2020	December 31, 2019
Current assets:			
Monetary fund	7.1	1,476,207,055	1,565,783,980
Settlement reserves			
Lending funds			
Tradable financial assets			
Derivative financial assets			
Bills receivable			
Accounts receivable	7.2	167,738,633	266,218,153
Receivables financing	7.3	222,918,741	316,470,229
Advance payment	7.4	10,200,527	67,707,537
Premium receivable			
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Other receivables	7.5	25,594,801	24,246,812
Including: Interest receivable		698,347	148,927
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	7.6	2,936,133,260	2,872,410,407
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	7.7	262,917,721	267,424,938
Total current assets		5,101,710,738	5,380,262,056

Item	Note	June 30, 2020	December 31, 2019
Non-current assets:			
Offering loans and imprest			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	7.8	42,810,445	43,981,130
Other investments in equity instruments			
Other non-current financial assets			
Investment real estate	7.9	28,344,687	29,714,586
Fixed assets	7.10	5,818,499,845	5,894,068,898
Construction in progress	7.11	647,036,593	567,478,833
Productive biological assets	7.12	196,238,591	202,425,286
Oil-and-gas assets			
Right-of-use assets			
Intangible assets	7.13	641,220,580	651,946,355
Development expenditure			
Goodwill	7.14	141,859,193	141,859,193
Long-term prepaid expenses	7.15	270,769,497	277,595,408
Deferred income tax assets	7.16	214,323,893	264,926,503
Other non-current assets	7.17	184,158,436	193,674,320
Total non-current assets		8,185,261,760	8,267,670,512
Total assets		13,286,972,498	13,647,932,568
Current liabilities:			
Short-term loans	7.18	737,183,701	754,313,744
Borrowings from the Central Bank			
Loans from other banks and other financial institutions			
Tradable financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	7.19	379,727,980	570,252,612
Advances from customers			120,609,499
Contract liabilities	7.20	100,523,260	
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee remunerations payable	7.21	139,862,928	234,459,116
Taxes and dues payable	7.22	154,572,275	375,169,971
Other payables	7.23	793,033,613	450,532,485
Including: Interest payable		2,167,287	758,047
Dividends payable		480,819,925	1,366,559
Handling charges and commissions payable			
Dividend payable for reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	7.24	98,996,064	150,826,221

Item	Note	June 30, 2020	December 31, 2019
Other current liabilities		13,068,024	
Total current liabilities		2,416,967,845	2,656,163,648
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	7.25	218,613,336	128,892,501
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term accounts payable	7.26	167,000,000	191,000,000
Long-term employee remunerations payable			
Estimated liabilities			
Deferred income	7.27	61,772,908	70,701,288
Deferred income tax liabilities	7.16	14,303,137	14,691,424
Other non-current liabilities	7.28	7,645,777	7,645,777
Total non-current liabilities		469,335,158	412,930,990
Total liabilities		2,886,303,003	3,069,094,638
Owner's equity:			
Capital stock	7.29	685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital surplus	7.30	565,050,422	565,050,422
Minus: Treasury stock			
Other comprehensive income	7.31	-9,242,236	-4,235,583
Special reserves			
Surplus reserves	7.32	342,732,000	342,732,000
General risk preparation			
Undistributed profit	7.33	8,547,110,131	8,719,899,359
Total owner's equities attributable to the parent company		10,131,114,317	10,308,910,198
Minority equity		269,555,178	269,927,732
Total owner's equities		10,400,669,495	10,578,837,930
Total liabilities and owner's equities		13,286,972,498	13,647,932,568

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

2.2 Balance sheet of the parent company

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

Unit: Yuan

Item	Note	June 30, 2020	December 31, 2019
Current assets:			
Monetary fund		798,084,475	710,505,269
Tradable financial assets			
Derivative financial assets			
Bills receivable			
Accounts receivable	17.1	302,260	1,988,326

Item	Note	June 30, 2020	December 31, 2019
Receivables financing		34,212,039	41,679,635
Advance payment		33,862	776,539
Other receivables	17.2	278,883,935	586,424,958
Including: Interest receivable		464,614	90,355
Dividends receivable		2,985,375	200,000,000
Inventories		501,196,687	434,007,808
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		37,051,338	39,130,466
Total current assets		1,649,764,596	1,814,513,001
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	17.3	7,437,422,621	7,432,422,621
Other investments in equity instruments			
Other non-current financial assets			
Investment real estate		28,920,958	29,714,586
Fixed assets		250,196,215	261,137,072
Construction in progress			
Productive biological assets		117,388,982	121,414,096
Oil and gas assets			
Right-of-use assets			
Intangible assets		63,675,337	64,864,913
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets		17,961,520	16,255,870
Other non-current assets		1,524,700,000	1,427,700,000
Total non-current assets		9,440,265,633	9,353,509,158
Total assets		11,090,030,229	11,168,022,159
Current liabilities:			
Short-term loans		150,000,000	150,000,000
Tradable financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		32,575,693	63,655,240
Advances from customers			
Contract liabilities			
Employee remunerations		57,841,188	70,445,847
Taxes and dues payable		4,129,507	6,052,456
Other payables		1,038,359,009	660,149,563
Including: Interest payable		137,671	181,250
Dividends payable		479,824,800	

Item	Note	June 30, 2020	December 31, 2019
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,282,905,397	950,303,106
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term accounts payable			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		7,459,789	9,176,315
Deferred income tax liabilities			
Other non-current liabilities		3,146,706	3,146,707
Total non-current liabilities		10,606,495	12,323,022
Total liabilities		1,293,511,892	962,626,128
Owner's equity:			
Capital stock		685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital surplus		557,222,454	557,222,454
Minus: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		342,732,000	342,732,000
Undistributed profit		8,211,099,883	8,619,977,577
Total owner's equities		9,796,518,337	10,205,396,031
Total liabilities and owner's equities		11,090,030,229	11,168,022,159

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

2.3 Consolidated profit statement

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Total operating income		1,401,606,792	2,558,274,785
Including: Operating income	7.34	1,401,606,792	2,558,274,785
Interest income			
Earned premium			
Handling fee and commission income			
2. Total operating costs		1,040,122,175	1,818,822,580
Including: Operating costs	7.34	574,650,677	936,252,225
Interest expenditure			

Handling fees and commission expenditure			
Premium rebate			
Net amount of indemnity expenditure			
Net amount of the withdrawn reserve fund for insurance contract			
Policy bonus payment			
Amortized reinsurance expenditures			
Item	Note	Sum of current period	Sum of prior period
Taxes and surcharges	7.35	88,103,493	123,550,848
Selling expenses	7.36	250,531,046	591,970,801
Administrative expenses	7.37	113,069,869	155,552,312
Research and development expenses	7.38	1,805,988	2,706,811
Financial expenses	7.39	11,961,102	8,789,583
Including: Interest expenses		14,891,310	9,812,560
Interest income		6,088,281	4,606,417
Plus: Other profit	7.40	49,780,231	64,211,892
Investment profit (loss is listed with "-")	7.41	-1,170,685	
Including: Investment profit for joint-run business and joint venture		-1,170,685	
Financial assets measured at amortized cost cease to be recognized as income (loss is listed with "-")			
Exchange income (loss is listed with "-")			
Net exposure hedge income (loss is listed with "-")			
Income from fair value changes (loss is listed with "-")			
Credit impairment loss (loss is listed with "-")	7.42	100,835	-765,935
Asset impairment loss (loss is listed with "-")	7.43	4,242,813	6,148,729
Income from asset disposal (loss is listed with "-")	7.44	39,641	1,138
3. Operating profit (loss is listed with "-")		414,477,452	809,048,029
Plus: Non-operating income	7.45	4,682,230	3,575,914
Minus: Non-operating expenses	7.46	867,273	164,050
4. Total profits (total loss is listed with "-")		418,292,409	812,459,893
Minus: Income tax expenses	7.47	109,689,969	210,281,578
5. Net profit (net loss is listed with "-")		308,602,440	602,178,315
5.1 Classification by operation continuity			
5.1.1 Net profit from continuing operation (net loss is listed with "-")		308,602,440	602,178,315
5.1.2 Net profit from terminating operation (net loss is listed with "-")			
5.2 Classification by ownership			
5.2.1 Net profit attributable to owner of the parent company		307,035,572	603,403,789
5.2.2 Minority interest income		1,566,868	-1,225,474
6. Net after-tax amount of other comprehensive income	7.48	-5,765,822	-4,657,291
Net after-tax amount of other comprehensive income attributable to owner of the parent company		-5,006,653	-3,060,721
6.1 Other comprehensive income not to be reclassified into profit and loss later			
6.1.1 Changes after remeasuring and resetting the benefit plans			
6.1.2 Other comprehensive income not to be reclassified into profit and loss under equity law			

6.1.3 Changes in the fair value of other investments in equity instruments			
6.1.4 Changes in the fair value of the enterprise's own credit risk			
6.1.5 Other			
6.2 Other comprehensive income to be reclassified into profit and loss later		-5,006,653	-3,060,721
6.2.1 Other comprehensive income to be reclassified into profit and loss under equity law			
6.2.2 Changes in the fair value of other debt investments			
6.2.3 Amount of financial assets reclassified into other comprehensive income			
6.2.4 Provision for credit impairment of other credit investments			
6.2.5 Provision for cash-flow hedge			
6.2.6 Difference in translation of Foreign Currency Financial Statement		-5,006,653	-3,060,721
6.2.7 Other			
Net after-tax amount of other comprehensive income attributable to minority shareholders		-759,169	-1,596,570
7. Total comprehensive income		302,836,618	597,521,024
Attributable to owner of the parent company		302,028,919	600,343,068
Attributable to minority shareholders		807,699	-2,822,044
8. Earnings per share:			
8.1 Basic earnings per share		0.45	0.88
8.2 Diluted earnings per share		0.45	0.88

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

2.4 Profit statement of the parent company

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Operating income	17.4	152,950,515	352,351,002
Minus: Operating costs	17.4	143,241,194	309,570,580
Taxes and surcharges		4,379,365	13,140,156
Selling expenses			
Administrative expenses		30,150,311	39,434,246
Research and development expenses		318,917	405,061
Financial expenses		934,777	-3,657,370
Including: Interest expenses		2,807,750	-2,705,073
Interest income		2,251,235	1,470,667
Plus: Other profit		1,819,890	1,716,527
Investment profit (loss is listed with "-")	17.5	87,474,604	264,221,755
Including: Investment profit for joint-run business and joint venture			
Financial assets measured at amortized cost cease to be recognized as income (loss is listed with "-")			
Net exposure hedge income (loss is listed with "-")			
Income from fair value changes (loss is listed with "-")			
Credit impairment loss (loss is listed with "-")		599,632	

Asset impairment loss (loss is listed with "-")			
Income from asset disposal (loss is listed with "-")			
2. Operating profit (loss is listed with "-")		63,820,077	259,396,611
Plus: Non-operating income		2,007,235	703,559
Minus: Non-operating expenses		525,000	97,638
3. Total profits (total loss is listed with "-")		65,302,312	260,002,532
Item	Note	Sum of current period	Sum of prior period
Minus: Income tax expenses		-5,644,794	-726,946
4. Net profit (net loss is listed with "-")		70,947,106	260,729,478
4.1 Net profit from continuing operation (net loss is listed with "-")		70,947,106	260,729,478
4.2 Net profit from terminating operation (net loss is listed with "-")			
5. Net after-tax amount of other comprehensive income			
5.1 Other comprehensive income not to be reclassified into profit and loss later			
5.1.1 Changes after remeasuring and resetting the benefit plans			
5.1.2 Other comprehensive income not to be reclassified into profit and loss under equity law			
5.1.3 Changes in the fair value of other investments in equity instruments			
5.1.4 Changes in the fair value of the enterprise's own credit risk			
5.1.5 Other			
5.2 Other comprehensive income to be reclassified into profit and loss later			
5.2.1 Other comprehensive income to be reclassified into profit and loss under equity law			
5.2.2 Changes in the fair value of other debt investments			
5.2.3 Amount of financial assets reclassified into other comprehensive income			
5.2.4 Provision for credit impairment of other credit investments			
5.2.5 Provision for cash-flow hedge			
5.2.6 Difference in translation of Foreign Currency Financial Statement			
5.2.7 Other			
6. Total comprehensive income		70,947,106	260,729,478
7. Earnings per share:			
7.1 Basic earnings per share		0.10	0.38
7.2 Diluted earnings per share		0.10	0.38

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

2.5 Consolidated cash flow statement

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

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		1,488,831,127	2,399,548,448
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			

Item	Note	Sum of current period	Sum of prior period
Net increase in borrowings from other financial institutions			
Cash received from receiving insurance premium of original insurance contract			
Net cash received from reinsurance business			
Net increase in policy holder deposits and investment funds			
Cash received from collecting interest, handling fees and commissions			
Net increase in borrowing funds			
Net increase in repurchasement business funds			
Net cash received for buying and selling securities			
Tax refund received		23,217,782	20,038,271
Other cash received related to operating activities	7.49	48,173,534	67,785,620
Subtotal of cash flows of operating activities		1,560,222,443	2,487,372,339
Cash paid for goods and services		630,954,042	718,093,432
Net increase in customer loans and advances			
Net increase in deposits in central bank and interbank deposits			
Cash paid to original insurance contract payments			
Net increase in lending funds			
Cash paid to interest, handling fees and commissions			
Cash paid to policy bonus			
Cash paid to and on behalf of employees		231,967,796	278,638,333
Cash paid for taxes and expenses		467,810,691	598,384,101
Other cash paid related to operating activities	7.49	259,142,735	392,780,467
Sub-total of cash outflows of operating activities		1,589,875,264	1,987,896,333
Net cash flow from operating activities		-29,652,821	499,476,006
2. Cash flow from investing activities:			
Cash received from disinvestment			
Cash received from withdrawal of fixed deposits		60,128,600	104,597,650
Cash received from obtaining investment income			
Cash received from obtaining interest income		1,160,244	1,004,552
Cash received from disposal of fixed assets, intangible assets and other long-term assets		131,978	175,837
Net cash received from disposal of branch and other business unit			
Other cash received related to investing activities			
Subtotal of cash flows of investment activities		61,420,822	105,778,039
Cash paid to acquire fixed assets, intangible assets and other long-term assets		65,946,953	135,073,897
Cash for investment			
Cash paid for purchasing fixed deposits		35,200,000	85,238,750
Net increase in hypothecated loan			
Net cash paid for acquiring branch and other business unit			
Other cash paid related to investment activities			
Subtotal of cash outflows of investment activities		101,146,953	220,312,647
Net cash flow from investing activities		-39,726,131	-114,534,608
3. Cash flow from financing activities			
Cash received from acquiring investment			
Including: cash received from acquiring minority shareholders			

Item	Note	Sum of current period	Sum of prior period
investment by branch			
Cash received from acquiring loans		778,228,305	656,495,139
Other cash received related to financing activities			
Subtotal cash flows of financing activities		778,228,305	656,495,139
Cash paid for paying debts		758,287,985	658,033,492
Cash paid for distributing dividend and profit or paying interest		15,235,695	16,590,004
Including: dividend and profit paid to minority shareholders by branch		1,551,687	
Other cash paid related to financing activities			
Subtotal of cash outflows of financing activities		773,523,680	674,623,496
Net cash flow from financing activities		4,704,625	-18,128,357
4. Influences of exchange rate fluctuation on cash and cash equivalents		-307,959	53,702
5. Net Increase in cash and cash equivalents		-64,982,286	366,866,743
Plus: balance at the beginning of the period of cash and cash equivalents		1,365,772,675	1,206,860,334
6. Balance at the end of the period of cash and cash equivalents		1,300,790,389	1,573,727,077

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

2.6 Cash flow statement of the parent company

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

Unit: Yuan

Item	Sum of current period	Sum of prior period
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	176,514,170	219,405,421
Tax refund received		
Other cash received related to operating activities	14,486,373	57,674,830
Subtotal of cash flows of operating activities	191,000,543	277,080,251
Cash paid for goods and services	149,176,637	163,184,301
Cash paid to and on behalf of employees	25,497,870	45,116,586
Cash paid for taxes and expenses	2,648,464	22,530,113
Other cash paid related to operating activities	107,931,895	321,847,893
Sub-total of cash outflows of operating activities	285,254,866	552,678,893
Net cash flow from operating activities	-94,254,323	-275,598,642
2. Cash flow from investing activities:		
Cash received from disinvestment		
Cash received from withdrawal of fixed deposits	15,200,000	40,000,000
Cash received from obtaining investment income	287,246,945	760,152,668
Cash received from obtaining interest income	142,759	484,857
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,519
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
Subtotal of cash flows of investment activities	302,589,704	800,645,044
Cash paid to acquiring fixed assets, intangible assets and other long-term assets	1,040,048	10,164,233
Cash for investment	5,000,000	13,000,000

Item	Sum of current period	Sum of prior period
Cash paid for purchasing fixed deposits	15,200,000	85,238,750
Net cash paid for acquiring branch and other business unit		
Other cash paid related to investment activities	97,000,000	
Subtotal of cash outflows of investment activities	118,240,048	108,402,983
Net cash flow from investing activities	184,349,656	692,242,061
3. Cash flow from financing activities		
Cash received from acquiring investment		
Cash received from acquiring loans	150,000,000	
Other cash received related to financing activities		
Subtotal cash flows of financing activities	150,000,000	
Cash paid for debts	150,000,000	
Cash paid to distribute dividend, profit or pay interest	2,748,375	3,248,000
Other cash paid related to financing activities		
Subtotal of cash outflows of financing activities	152,748,375	3,248,000
Net cash flow from financing activities	-2,748,375	-3,248,000
4. Influences of exchange rate fluctuation on cash and cash equivalents		
5. Net Increase in cash and cash equivalents	87,346,958	413,395,419
Plus: balance at the beginning of the period of cash and cash equivalents	623,116,542	532,384,882
6. Balance at the end of the period of cash and cash equivalents	710,463,500	945,780,301

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

2.7 Consolidated owner's equity changing list

Unit: Yuan

Item	This period													Minority shareholders' equity	Total owners' equity
	Owners' equity of the parent company											Subtotal			
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		Other		
	Preferred stock	Perpetual bonds	Other												
1. Balance at the end of last year	685,464,000				565,050,422		-4,235,583	342,732,000		8,719,899,359		10,308,910,198	269,927,732	10,578,837,930	
Plus: Accounting policies changing															
Previous error correction															
Business combination under common control															
Other															
2. Balance at the beginning of this year	685,464,000				565,050,422		-4,235,583	342,732,000		8,719,899,359		10,308,910,198	269,927,732	10,578,837,930	
3. Increased or decreased amount in this period (reducing amount is listed with "-")							-5,006,653			-172,789,228		-177,795,881	-372,554	-178,168,435	
3.1 Total comprehensive income							-5,006,653			307,035,572		302,028,919	807,699	302,836,618	
3.2 Owners' invested and reduced capital															
3.2.1 Owner' invested common stock															
3.2.2 Other equity instrument holders' invested capital															
3.2.3 Amount of shares paid and reckoned in															

owners' equity														
3.2.4 Other														
3.3 Profit distribution									-479,824,800	-479,824,800	-1,180,253	-481,005,053		
3.3.1 Accrued surplus reserves														
3.3.2 Accrued general risk preparation														
3.3.3 Distribution to owners (or shareholders)									-479,824,800	-479,824,800	-1,180,253	-481,005,053		
3.3.4 Other														
3.4 Internal transfer of owners' equity														
3.4.1 Capital reserves transferred and increased capital (or capital stock)														
3.4.2 Surplus reserves transferred and increased capital (or capital stock)														
3.4.3 Surplus reserves covering deficit														
3.4.4 Retained earnings carried over from the benefit plan variation														
3.4.5 Retained earnings carried over from other comprehensive income														
3.4.6 Other														
3.5 Special reserves														
3.5.1 Withdrawal in this period														
3.5.2 Usage in this period														
3.6 Other														
4. Balance at the end of this period	685,464,000				565,050,422		-9,242,236	342,732,000		8,547,110,131		10,131,114,317	269,555,178	10,400,669,495

Item	Last period													Minority shareholders' equity	Total owners' equity
	Owners' equity of the parent company											Subtotal			
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		Other		
	Preferred stock	Perpetual bonds	Other												
1. Balance at the end of last year	685,464,000				565,955,441		2,965,377		342,732,000		8,008,982,547		9,606,099,365	284,388,012	9,890,487,377
Plus: Accounting policies changing											-7,540,537		-7,540,537		-7,540,537
Previous error correction															
Business combination under common control															
Other															
2. Balance at the beginning of this year	685,464,000				565,955,441		2,965,377		342,732,000		8,001,442,010		9,598,558,828	284,388,012	9,882,946,840
3. Increased or decreased amount in this period (reducing amount is listed with "-")					-905,019		-7,200,960				718,457,349		710,351,370	-14,460,280	695,891,090
3.1 Total comprehensive income							-7,200,960				1,129,735,749		1,122,534,789	-1,368,953	1,121,165,836
3.2 Owners' invested and reduced capital					-905,019								-905,019	-10,714,533	-11,619,552
3.2.1 Owner' invested common stock					-905,019								-905,019	-10,714,533	-11,619,552
3.2.2 Other equity instrument holders' invested capital															
3.2.3 Amount of shares paid and reckoned in owners' equity															
3.2.4 Other															

3.3 Profit distribution											-411,278,400		-411,278,400	-2,376,794	-413,655,194
3.3.1 Accrued surplus reserves															
3.3.2 Accrued general risk preparation															
3.3.3 Distribution to owners (or shareholders)											-411,278,400		-411,278,400	-2,376,794	-413,655,194
3.3.4 Other															
3.4 Internal transfer of owners' equity															
3.4.1 Capital reserves transferred and increased capital (or capital stock)															
3.4.2 Surplus reserves transferred and increased capital (or capital stock)															
3.4.3 Surplus reserves covering deficit															
3.4.4 Retained earnings carried over from the benefit plan amount															
3.4.5 Retained earnings carried over from other comprehensive income															
3.4.6 Other															
3.5 Special reserves															
3.5.1 Withdrawal in this period															
3.5.2 Usage in this period															
3.6 Other															
4. Balance at the end of this period	685,464,000				565,050,422		-4,235,583		342,732,000		8,719,899,359		10,308,910,198	269,927,732	10,578,837,930

2.8 Owner's equity changing list of the parent company

Unit: Yuan

Item	This period											
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Other	Total owners' equity
		Preferred stock	Perpetual bonds	Other								
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	8,619,977,577		10,205,396,031
Plus: Accounting policies changing												
Previous error correction												
Other												
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	8,619,977,577		10,205,396,031
3. Increased or decreased amount in this period (reducing amount is listed with "-")										-408,877,694		-408,877,694
3.1 Total comprehensive income										70,947,106		70,947,106
3.2 Owners' invested and reduced capital												
3.2.1 Owners' invested common stock												
3.2.2 Other equity instrument holder' invested capital												
3.2.3 Amount of shares paid and reckoned in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-479,824,800		-479,824,800
3.3.1 Drew surplus reserves												
3.3.2 Distribution to owners (or shareholders)										-479,824,800		-479,824,800
3.3.3 Other												
3.4 Internal transfer of owners' equity												
3.4.1 Capital reserves transferred and increased capital (or capital stock)												
3.4.2 Surplus reserves transferred and increased capital (or capital stock)												

3.4.3 Surplus reserves covering deficit												
3.4.4 Retained earnings carried over from the benefit plan amount												
3.4.5 Retained earnings carried over from other comprehensive income												
3.4.6 Other												
3.5 Special reserves												
3.5.1 Accrual in this period												
3.5.2 Usage in this period												
3.6 Other												
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	8,211,099,883		9,796,518,337

Unit: Yuan

Item	Last period											
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Other	Total owners' equity
		Preferred stock	Perpetual bonds	Other								
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	8,437,957,128		10,023,375,582
Plus: Accounting policies changing												
Previous error correction												
Other												
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	8,437,957,128		10,023,375,582
3. Increased or decreased amount in this period (reducing amount is listed with "-")										182,020,449		182,020,449
3.1 Total comprehensive income										593,298,849		593,298,849
3.2 Owners' invested and reduced capital												
3.2.1 Owners' invested common stock												
3.2.2 Other equity instrument holder' invested capital												
3.2.3 Amount of shares paid and reckoned in owners' equity												

3.2.4 Other											
3.3 Profit distribution										-411,278,400	-411,278,400
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)										-411,278,400	-411,278,400
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Retained earnings carried over from the benefit plan amount											
3.4.5 Retained earnings carried over from other comprehensive income											
3.4.6 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	8,619,977,577	10,205,396,031

3. Company profile

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

As at June 30, 2020, the Company issued 685,464,000 shares accumulatively. Refer to Note 7.29 for details.

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

The financial statement and the consolidated financial statement of the Company were approved by the Board of Directors on August 26, 2020.

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

4. Preparation basis of financial statement

4.1 Preparation basis

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

regulations thereof.

4.2 Continuous operation

The Group has appraised the ability of continuous operation for 12 months from June 30, 2020, and no issues or situations causing major doubts to this ability are found. Therefore, this financial statement is prepared on the basis of the continuous operation assumption.

5. Main accounting policies and accounting estimates

5.1 Statement on compliance with ASBE

This financial statement fulfills the requirement of ASBE issued by the Ministry of Finance and gives a true and integrated view of the consolidated financial status and the financial status as at June 30, 2020, as well as the consolidated operating result, the operating result, the consolidated cash flow and the cash flow of the Company from January to June 2020.

In addition, the financial statement of the Company also complies with the related disclosure requirements for statement and its notes stipulated by *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (2014 Revision)* by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”).

5.2 Accounting period

The accounting year is from January 1 to December 31 in Gregorian calendar.

5.3 Operating cycle

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

5.4 Recording currency

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

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

5.5.1 Business combination and goodwill under common control

A business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or same multiple parties before and after the combination, and that control is not transitory. The assets and liabilities obtained by the combining party in the business combination shall be measured on the basis of the carrying amount in the ultimate controlling party's consolidated financial statement as at the combination date. Where there is a difference between the carrying amount of the net assets acquired and the carrying amount of the combination consideration paid (or the total par value of the shares issued), the stock premium in capital surplus shall be adjusted. If the stock premium in capital surplus is not sufficient to offset, the retained earnings shall be adjusted. The direct related expenses incurred for the business combination shall be included in the current profit and loss when incurred. The combination date is the date on which the combining party actually obtains control of the combined party.

5.5.2 Business combination under non-common control

A business combination under non-common control is a business combination in which all of the combining parties are not ultimately controlled by the same party or same multiple parties before and after the combination. The sum of fair values of the assets paid by the Group, as the acquirer, (including the acquiree's equity the Group held before the acquisition date), liabilities incurred or assumed, and the equity securities issued on the acquisition date in exchange for the control over the acquiree, deducts the fair value of the acquiree's identifiable net assets acquired in the combination on the acquisition date. If the difference is positive, it shall be recognized as goodwill; and if it is negative, it shall be included in the current profit and loss. All the identifiable assets, liabilities and contingent liabilities which are obtained from the acquiree and meet the recognition conditions shall be confirmed by the Group on the acquisition date according to the fair value thereof. The acquisition date is the

date on which the acquirer actually obtains control of the acquiree.

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

5.6 Compiling methods of consolidated financial statement

5.6.1 General principles

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

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

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

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

5.6.2 Subsidiaries acquired through a business combination

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

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

5.6.3 Disposal of subsidiaries

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

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

- arrangements are entered into at the same time or in contemplation of each other;

- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

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

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

5.6.4 Changes in non-controlling interests

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

5.7 Determination standard of cash and cash equivalents

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

5.8 Foreign currency transaction and foreign currency statement translation

When the Group receives capital in foreign currencies from investors, the capital is translated to

Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates.

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

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

5.9 Financial instruments

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

5.9.1 Recognition and initial measurement of financial assets and financial liabilities

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

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

set out in Note 5.22.

5.9.2 Classification and subsequent measurement of financial assets

(a) Classification of financial assets

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

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

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

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

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

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

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

from the perspective of the issuer.

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

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

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

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

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

- Financial assets at amortised cost

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

process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

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

- Equity investments at FVOCI

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

5.9.3 Classification and subsequent measurement of financial liabilities

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

- Financial liabilities at FVTPL

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

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

- Financial liabilities at amortised cost

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

5.9.4 Offsetting

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

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

5.9.5 Derecognition of financial assets and financial liabilities

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

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

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

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

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

5.9.6 Impairment

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

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

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

Measurement of ECLs

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

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

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

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

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

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

- If the financial instrument is determined to have low credit risk at the balance sheet date;

- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

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

Significant increases in credit risk

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

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

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

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL

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

Write-off

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

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

5.9.7 Equity instrument

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

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

5.10 Inventories

5.10.1 Classification and cost

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

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

5.10.2 Measurement method of cost of inventories

Cost of inventories is calculated using the weighted average method.

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

5.10.3 Basis for determining the net realisable value and method for provision for

obsolete inventories

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

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

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

5.10.4 Inventory count system

The Group maintains a perpetual inventory system.

5.11 Long-term equity investments

5.11.1 Investment cost of long-term equity investments

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

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

previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

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

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

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

5.11.2 Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

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

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

For the impairment of the investments in subsidiaries, refer to Note 5.20.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note 5.6.

(b) Investments in joint ventures

A joint venture is an arrangement whereby the Group and other parties have joint control and rights to the net assets of the arrangement.

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

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

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no

impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note 5.20.

5.11.3 Criteria for determining the existence of joint control over an investee

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

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

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

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

5.12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use

rights, unless the investment property is classified as held for sale. For the impairment of the investment properties, refer to Note 5.20.

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

5.13 Fixed assets

5.13.1 Recognition of fixed assets

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

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note 5.14.

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

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

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

5.13.2 Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is

depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale.

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

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

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

5.13.3 For the impairment of the fixed assets, refer to Note 5.20.

5.13.4 Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

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

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

5.14 Construction in progress

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

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

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note 5.20).

5.15 Borrowing costs

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

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

- Where funds are borrowed specifically for the acquisition and construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

- To the extent that the Group borrows funds generally and uses them for the acquisition and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

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

borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

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

5.16 Biological assets

The biological assets of the Group are productive biological assets.

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

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

Category	Useful life (years)	Estimated net residual rate (%)	Annual depreciation rate (%)
Vines	20 years	0%	5.0%

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

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

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

5.17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 5.20). For an intangible asset with finite useful life, its cost estimated less residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

The respective amortisation periods for intangible assets are as follows:

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

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

trademark will provide net cash flows to the Group within an uncertain period. The useful life is indefinite as it was hard to predict the period that the trademark would bring economic benefits to the Group.

5.18 Goodwill

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

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note 5.20). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

5.19 Long-term deferred expenses

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

Item	Amortisation period
Land requisition fee	50 years
Land lease fee	50 years
Greening fee	5-20 years
Renovation fee	3-5 years
Others	3 years

5.20 Impairment of assets other than inventories and financial assets

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

- fixed assets

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

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

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note 5.21) less costs to sell and its present value of expected future cash flows.

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

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

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

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

5.21 Fair value measurement

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

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

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

5.22 Revenue

The Group recognizes the revenue upon fulfillment of its performance obligations in the contract, that is, the client obtains control right over the relevant goods or services.

If there are two or more performance obligations under the contract, which shall be fulfilled, the Group will apportion the transaction price to various individual performance obligations in accordance with the relative proportion of separate selling prices of various goods or services under these performance obligations on the commencement date of the contract, and measure and recognize the revenue in accordance with the transaction prices apportioned to various individual performance obligations. For contracts with quality assurance clauses, the Group analyzes the nature of the quality assurance provided. If quality assurance provides a separate service in addition to ensuring to the client that the goods sold meet the established standards, the Group will treat it as an individual performance obligation. Otherwise, the Group conducts accounting treatment in accordance with the *Accounting Standards for Business Enterprises No. 13 - Contingencies*.

The transaction price refers to the amount of consideration that the Group expects to be entitled to receive due to the transfer of goods or services to the client, excluding payments received on behalf of third parties. The transaction price recognized by the Group does not exceed the amount at which the accumulated recognized revenue will most likely not undergo a significant reversal when the relevant uncertainty is eliminated. It is expected that the money returned to the client will be regarded as a

return liability and not included in the transaction price. In the event that there is a significant financing part in the contract, the Group determines the transaction price based on the amount payable in cash when the client obtains control right over the relevant goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. From the day of the enforcement of the contract, the Group expects that the interval between the client's acquisition of control right over the goods or services and the client's payment of the price will not exceed one year, regardless of the significant financing part in the contract.

If the Group meets one of the following conditions, the fulfillment of its performance obligations in a certain period will be deemed, or the fulfillment of its performance obligations at a certain time point will be deemed:

- The client obtains and consumes the economic benefits while the Group fulfills the performance obligation;
- The client manages to control the goods in process while the Group fulfills the performance obligation.
- Goods produced during the performance period have irreplaceable purposes and the Group is entitled to charge money for the performance accumulated and has been finished until the current time within the whole contract period.

For any performance obligations fulfilled in a certain period, the Group will recognize revenue within the certain period in accordance with the performance progress. If the performance progress cannot be determined reasonably and costs incurred are expected to be compensated of the Group, the revenue will be ascertained according to the costs incurred until the performance progress is determined reasonably.

In terms of performance obligations fulfilled at a certain time point, the Group will recognize revenue when the client gains control right over the relevant goods or services. When it comes to determining whether a client has acquired the control right over goods or services, the Group will consider the following conditions:

- The Group has the current right to receive payment for the goods or services;
- The Group has transferred the goods in kind to the client;
- The Group has transferred the legal ownership of the product or the main risks and rewards of ownership to the client;
- The client has accepted the goods or services, etc.

The Group has transferred the goods or services to the client and thus has the right to receive corresponding consideration (and the right is dependable on factors other than time lapses) as contract asset, which is subject to provision of impairment on the basis of expected credit loss. The right enjoyed by the Group (only depends on time lapses) to receive consideration unconditionally from the client shall be presented under account receivables. The Group presents the obligation of transferring goods or services for the client due to the consideration received or receivable as contract liabilities.

5.23 Employee benefits

5.23.1 Short-term employee benefits

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

5.23.2 Post-employment benefits – defined contribution plans

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

5.23.3 Termination benefits

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

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an

employee termination plan or a curtailment proposal;

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

5.24 Government grants

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

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

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

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

5.25 Income tax

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

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

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

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

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

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

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

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

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

5.26 Operating leases and finance leases

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

5.26.1 Operating lease assets

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

5.26.2 Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note 5.12), are depreciated in accordance with the Group's depreciation policies described in Note 5.13.2. Impairment losses are recognised in accordance with the accounting policy described in Note 5.20. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

5.27 Assets held for sale

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

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

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

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

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

5.28 Profit distributions

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

5.29 Related parties

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

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

5.30 Segment reporting

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into four parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2020, over 89% of revenue, more than 98% of profit and over 92% of non-current assets derived from China / are located in China. Therefore the Group does not need to disclose additional segment report information.

5.31 Significant accounting estimates and judgements

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

5.31.1 Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, bearer biological assets and intangible assets (see Notes 5.12, 13, 16 and 17) and provision for impairment of various types of assets (see Notes 7.2, 5, 6, 10, 11, 12, 13, 14 and Notes 17.1 and 3). Other significant accounting estimates are as follows:

- (i) Note 7.16 – Recognition of deferred tax asset;
- (ii) Note 11. – Fair value measurements of financial instruments.

5.32 Changes in significant accounting policies and accounting estimates

5.32.1 Changes in significant accounting policies

The Group implemented the Accounting Standards for Business Enterprises No. 14 - Revenues revised by the Ministry of Finance in 2017 on January 1, 2020.

Accounting Standards for Business Enterprises No. 14 - Revenues (Revision) ("New Revenue Standards")

The New Revenue Standards replace the original revenue ones. Under the original revenue standards, the Group used the transfer of risk premium as the criterion for determining the timing of revenue recognition. The Group's revenue from sales of goods is recognized when the following conditions are met at the same time: the main risks and rewards of property in the goods have been transferred to the buyer, the amount of revenue and related costs can be reliably measured, and related economic benefits are likely to flow into the Group. The Group neither retains the continuing management rights that are usually associated with ownership, nor does it exercise effective control over the sold goods.

Under the New Revenue Standards, the Group used the transfer of control right as the criterion for determining the timing of revenue recognition:

- The Group recognizes the revenue upon fulfillment of its performance obligations in the contract, that is, the client obtains control right over the relevant goods or services. If the Group meets a certain condition, the fulfillment of its performance obligations in a certain period will be deemed, or the fulfillment of its performance obligations at a certain time point will be deemed. If there are two or more performance obligations under the contract, which shall be fulfilled, the Group will apportion the transaction price to various individual performance obligations in accordance with the relative proportion of separate selling prices of various goods or services under these performance obligations on the commencement date of the contract, and measure and recognize the revenue in accordance with the transaction prices apportioned to various individual performance obligations. The transaction price refers to the amount of consideration that the Group expects to be entitled to receive due to the transfer of goods or services to the client, excluding payments received on behalf of third parties. The transaction price recognized by the Group does not exceed the amount at which the accumulated recognized revenue will most likely not undergo a significant reversal when the relevant uncertainty is eliminated. It is expected that the money returned to the client will be regarded as a return liability and not included in the transaction price. In the event that there is a significant financing part in the contract, the Group determines the transaction price based on the amount payable in cash when the client obtains control right over the relevant goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. From the day of the enforcement of the contract, the Group expects that the interval between the client's acquisition of control right over the goods or services and the client's payment of the price will not exceed one year, regardless of the significant financing part in the contract.

- The Group adjusted relevant accounting policies in accordance with the specific provisions of the New Revenue Standards on specific matters or transactions, such as contract costs, sales with sales return clauses, and sales divisions with quality assurance clauses.

- In accordance with the New Revenue Standards, the Group, based on the relationship between performance obligations and client payments, presents contract assets or liabilities in the balance sheet. At the same time, the Group provides more disclosures on revenue-related information disclosure requirements in accordance with the New Revenue Standards, such as relevant accounting policies, judgments with significant influence (the measurement of variable consideration, the method of allocating the transaction price to each individual performance obligation, the assumption used in estimating the stand-alone selling price of each individual performance obligation, etc.), information related to client contracts (revenue recognition for the current period, contract balance, performance obligations, etc.), and information on assets related to contract costs.

The Group, based on the cumulative impact of the first implementation of the New Revenue Standards, adjusted the retained earnings at the beginning of 2020 and the amount of other related items in the financial statements, except for comparative financial statement data.

5.32.2 Changes in significant accounting estimates

Nil

5.32.3 Particulars of first implementation of new income standards to adjust the first implementation of related items in the financial statements at the beginning of the year

Consolidated Balance Sheet

Unit: Yuan

Item	December 31, 2019	January 1, 2020	Adjustments
Current assets:			
Monetary fund	1,565,783,980	1,565,783,980	
Settlement reserves			
Lending funds			
Tradable financial assets			
Derivative financial assets			
Bills receivable			
Accounts receivable	266,218,153	266,218,153	
Receivables financing	316,470,229	316,470,229	
Advance payment	67,707,537	67,707,537	
Premium receivable			

Item	December 31, 2019	January 1, 2020	Adjustments
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Other receivables	24,246,812	24,246,812	
Including: Interest receivable	148,927	148,927	
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	2,872,410,407	2,872,410,407	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	267,424,938	267,424,938	
Total current assets	5,380,262,056	5,380,262,056	
Non-current assets:			
Offering loans and imprest			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	43,981,130	43,981,130	
Other investments in equity instruments			
Other non-current financial assets			
Investment real estate	29,714,586	29,714,586	
Fixed assets	5,894,068,898	5,894,068,898	
Construction in progress	567,478,833	567,478,833	
Productive biological assets	202,425,286	202,425,286	
Oil-and-gas assets			
Right-of-use assets			
Intangible assets	651,946,355	651,946,355	
Development expenditure			
Goodwill	141,859,193	141,859,193	
Long-term prepaid expenses	277,595,408	277,595,408	
Deferred income tax assets	264,926,503	264,926,503	
Other non-current assets	193,674,320	193,674,320	
Total non-current assets	8,267,670,512	8,267,670,512	
Total assets	13,647,932,568	13,647,932,568	
Current liabilities:			
Short-term loans	754,313,744	754,313,744	
Borrowings from the Central Bank			
Loans from other banks and other financial institutions			
Tradable financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	570,252,612	570,252,612	
Advances from customers	120,609,499		-120,609,499
Contract liabilities		106,734,070	106,734,070
Financial assets sold for repurchase			

Item	December 31, 2019	January 1, 2020	Adjustments
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee remunerations payable	234,459,116	234,459,116	
Taxes and dues payable	375,169,971	375,169,971	
Other payables	450,532,485	450,532,485	
Including: Interest payable	758,047	758,047	
Dividends payable	1,366,559	1,366,559	
Handling charges and commissions payable			
Dividend payable for reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	150,826,221	150,826,221	
Other current liabilities		13,875,429	13,875,429
Total current liabilities	2,656,163,648	2,656,163,648	
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	128,892,501	128,892,501	
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term accounts payable	191,000,000	191,000,000	
Long-term employee remunerations payable			
Estimated liabilities			
Deferred income	70,701,288	70,701,288	
Deferred income tax liabilities	14,691,424	14,691,424	
Other non-current liabilities	7,645,777	7,645,777	
Total non-current liabilities	412,930,990	412,930,990	
Total liabilities	3,069,094,638	3,069,094,638	
Owner's equity:			
Capital stock	685,464,000	685,464,000	
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital surplus	565,050,422	565,050,422	
Minus: Treasury stock			
Other comprehensive income	-4,235,583	-4,235,583	
Special reserves			
Surplus reserves	342,732,000	342,732,000	
General risk preparation			
Undistributed profit	8,719,899,359	8,719,899,359	
Total owner's equities attributable to the parent company	10,308,910,198	10,308,910,198	
Minority equity	269,927,732	269,927,732	
Total owner's equities	10,578,837,930	10,578,837,930	
Total liabilities and owner's equities	13,647,932,568	13,647,932,568	

Balance Sheet of the Parent Company

Unit: Yuan

Item	December 31, 2019	January 1, 2020	Adjustments
Current assets:			
Monetary fund	710,505,269	710,505,269	
Tradable financial assets			
Derivative financial assets			
Bills receivable			
Accounts receivable	1,988,326	1,988,326	
Receivables financing	41,679,635	41,679,635	
Advance payment	776,539	776,539	
Other receivables	586,424,958	586,424,958	
Including: Interest receivable	90,355	90,355	
Dividends receivable	200,000,000	200,000,000	
Inventories	434,007,808	434,007,808	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	39,130,466	39,130,466	
Total current assets	1,814,513,001	1,814,513,001	
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	7,432,422,621	7,432,422,621	
Other investments in equity instruments			
Other non-current financial assets			
Investment real estate	29,714,586	29,714,586	
Fixed assets	261,137,072	261,137,072	
Construction in progress			
Productive biological assets	121,414,096	121,414,096	
Oil and gas assets			
Right-of-use assets			
Intangible assets	64,864,913	64,864,913	
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets	16,255,870	16,255,870	
Other non-current assets	1,427,700,000	1,427,700,000	
Total non-current assets	9,353,509,158	9,353,509,158	
Total assets	11,168,022,159	11,168,022,159	
Current liabilities:			
Short-term loans	150,000,000	150,000,000	
Tradable financial liabilities			
Derivative financial liabilities			
Bills payable			

Item	December 31, 2019	January 1, 2020	Adjustments
Accounts payable	63,655,240	63,655,240	
Advances from customers			
Contract liabilities			
Employee remunerations	70,445,847	70,445,847	
Taxes and dues payable	6,052,456	6,052,456	
Other payables	660,149,563	660,149,563	
Including: Interest payable	181,250	181,250	
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	950,303,106	950,303,106	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term accounts payable			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income	9,176,315	9,176,315	
Deferred income tax liabilities			
Other non-current liabilities	3,146,707	3,146,707	
Total non-current liabilities	12,323,022	12,323,022	
Total liabilities	962,626,128	962,626,128	
Owner's equity:			
Capital stock	685,464,000	685,464,000	
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital surplus	557,222,454	557,222,454	
Minus: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves	342,732,000	342,732,000	
Undistributed profit	8,619,977,577	8,619,977,577	
Total owner's equities	10,205,396,031	10,205,396,031	
Total liabilities and owner's equities	11,168,022,159	11,168,022,159	

6. Taxes

6.1 The main taxes and tax rates are as follows:

Tax category	Taxation basis	Tax rates
Value added tax	Levied on the balance between the output tax calculated based on taxable income and the input tax allowed to be deducted in current period	13%, 9%, 6% (China), 20% (France), 21% (Spain), 19% (Chile), 10% (Australia)
Consumption tax	Levied on taxable income	10% of the price, 20% of the price and 1,000 Yuan each ton (China)
City development tax	Levied on circulation tax actually paid	7% (China)
Corporate income tax	Levied on taxable income	25% (China), 28% (France), 28% (Spain), 27% (Chile), 30% (Australia)

6.2 Tax incentives

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

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

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

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

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

7. Notes to items in the consolidated financial statement

7.1 Monetary capital

Unit: Yuan

Item	Ending balance	Beginning balance
Cash on hand	38,910	59,975
Bank deposit	1,384,635,885	1,474,489,177
Other monetary capital	91,532,260	91,234,828
Total	1,476,207,055	1,565,783,980
Including: Total overseas deposits	49,084,619	42,752,630

As at June 30, 2020, the restricted bank deposit details are listed as follows:

Unit: Yuan

Item	Ending balance	Beginning balance
Housing fund of the unit	2,684,406	2,647,877
Total	2,684,406	2,647,877

As at June 30, 2020, the details of other monetary funds are listed as follows:

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge of fixed deposits by Yantai Changyu Wine Research, Development and Manufacture Co., Ltd. ("R&D Company")	46,100,000	46,100,000
Guaranteed deposits paid for the letter of credit	44,540,850	44,540,850
Account balance of Alipay	685,691	583,978
Guaranty money for the unit card	195,719	-
Guaranty money for ICBC platform	10,000	10,000
Total	91,532,260	91,234,828

As at June 30, 2020, the bank deposits of the Group including short-term fixed deposits ranging from 3 months to 12 months amounted to RMB 81,200,000 Yuan (December 31, 2019: RMB 106,128,600), with the interest rates ranging from 1.40% to 2.75%.

7.2 Bills receivable

7.2.1 Classification of bills receivable

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable for which provision for bad debts is accrued on a single item basis										
Accounts receivable for which provision for bad debts is accrued on a combined basis	184,942,173	100%	17,203,540	9.30%	167,738,633	283,522,528	100%	17,304,375	6.10%	266,218,153
Total	184,942,173	100%	17,203,540	9.30%	167,738,633	283,522,528	100%	17,304,375	6.10%	266,218,153

Provision for bad debts accrued on a combined basis:

Unit: Yuan

Name	Ending balance		
	Book balance	Provision for bad debts	Accrued proportion
Amounts due from related parties	2,005,182	67,379	3.40%
Amounts due from other customers	182,936,991	17,136,161	9.40%
Total	184,942,173	17,203,540	9.30%

Disclosed by age:

Unit: Yuan

Age	Ending balance
Within 1 year (including 1 year)	178,061,481
1-2 years	5,228,218
2-3 years	1,652,474
Over 3 years	
Total	184,942,173

As at June 30, 2020, the accounts receivable with ownership restrictions were RMB 31,557,404 Yuan (December 31, 2019: 54,663,422 Yuan). Please refer to Note 7.18 for details.

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

Provision for bad debts accrued in this period:

Unit: Yuan

Type	Beginning balance of the year	Changes in this period			Ending balance
		Accrued	Withdrawn or transferred back	Cancelled	
Accounts receivable for which provision for bad debts is accrued	17,304,375		100,835		17,203,540
Total	17,304,375		100,835		17,203,540

7.2.3 Accounts receivable actually cancelled after verification in this period

Nil

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

Unit: Yuan

Unit	Relationship with the Company	Amount	Period	Percentage in total accounts receivable	Ending balance of provision for bad and doubtful debts
Lianhua Supermarket Holdings Co., Ltd.	Third party	12,068,877	Within 1 year	6.50%	1,821,381
Nonggongshang Supermarket (Group) Co., Ltd.	Third party	10,822,716	Within 1 year	5.90%	2,588,499
CIA. ZAFFARI COMERCIO E	Third party	4,962,855	Within 1 year	2.70%	159,007
TRI-VIN IMPORTS, INC.	Third party	4,729,522	Within 1 year	2.60%	47,175
Kingsland Wines and Spirits	Third party	4,529,090	Within 1 year	2.40%	145,109
Total	--	37,113,060	--	20.1%	4,761,171

7.2.5 Accounts receivable terminating recognition due to transfer of financial assets

Nil

7.2.6 Accounts receivable transferred and included in assets and liabilities

Nil

7.3 Receivables financing

Unit: Yuan

Item	Ending balance	Beginning balance
Bills receivable	222,918,741	316,470,229
Total	222,918,741	316,470,229

7.3.1 The pledged bills receivable of the Group at the end of the year

Nil

7.3.2 Outstanding endorsed bills that have not matured at the end of the year

Item	Amount derecognised at year end
Bank acceptance bills	90,385,572
Total	90,385,572

As at June 30, 2020, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB90,385,572 Yuan(December 31, 2019: RMB265,759,455 Yuan). The notes are used for payment to suppliers and constructions. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

7.4 Advance payment

7.4.1 Advance payment listed by age

Unit: Yuan

Age	Ending balance		Beginning sum	
	Amount	Proportion	Amount	Proportion
Within 1 year	10,200,527	100%	67,441,713	99.6%
1-2 years			265,824	0.4%
2-3 years				
More than 3 years				
Total	10,200,527	100%--	67,707,537	--

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

Unit: Yuan

Category of client	Relationship with the Group	Amount	Age	Reason for unsettlement	Percentage in the total advance payment%
Chateau De Mirefleurs	Related party	6,429,542	Within 1 year	Prepayments	63.0%
Chateau De Liversan	Related party	1,632,941	Within 1	Prepayments	16.0%

			year		
State Grid Shandong Electronic Power Yantai Company	Third party	1,229,571	Within 1 year	Prepaid electricity fees	12.1%
Beijing Shanshui Decoration Company	Third party	97,000	Within 1 year	Prepaid maintenance cost	1.0%
Sinopec Sales Co., Ltd. Shandong Yantai Petroleum Branch	Third party	90,000	Within 1 year	Prepaid fuel cost	0.9%
Total	--	9,479,054	--		93.0%

7.5 Other receivables

Unit: Yuan

Item	Ending balance	Beginning balance
Interest receivable	698,347	148,927
Dividends receivable		
Other receivables	24,896,454	24,097,885
Total	25,594,801	24,246,812

7.5.1 Interest receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed deposit	698,347	148,927
Entrusted loan		
Bond investment		
Total	698,347	148,927

7.5.2 Other receivables

7.5.2.1 Other receivables classified by nature

Unit: Yuan

Nature	Ending book balance	Beginning book balance
Deposit and guaranty money receivable	8,546,270	9,812,027
Imprest receivable	832,227	1,741,147
Consumption tax and added-value tax export rebate	7,878,064	8,937,164
Other	7,639,893	3,607,547
Total	24,896,454	24,097,885

7.5.2.2 Disclosed by age

Unit: Yuan

Age	Ending balance
-----	----------------

Age	Ending balance
Within 1 year (including 1 year)	16,742,154
1-2 years	383,863
2-3 years	721,352
More than 3 years	7,049,085
Total	24,896,454

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

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

7.5.2.4 Other receivables actually cancelled after verification in this period

Nil

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

Unit: Yuan

Unit	Nature	Ending balance	Age	Percentage in total ending balance of other accounts receivable	Ending balance of provision for bad debts
Sercicio de Impuestos Internos	Value-added tax rebate	6,668,550	Within 1 years	26.8%	
YEDA Finance Bureau	Guaranty money	5,262,324	Over 3 years	21.1%	
YEDA Construction Industry Association	Construction guaranty money	1,143,500	Over 3 years	4.6%	
Yantai God Horse Packing Co., Ltd.	Lease payment receivable	1,626,880	Within 1 year	6.5%	
Changyu Group	Lease payment payable	3,775,362	Within 1 year	15.2%	
Total	--	18,476,616	--	74.2%	

7.5.2.6 Accounts receivable involving government subsidies

Nil

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

Nil

7.5.2.8 Other receivables transferred and then included in assets and liabilities

Nil

7.6 Inventories

7.6.1 Inventory classification

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	53,065,316		53,065,316	71,681,418		71,681,418
Goods in process	2,282,289,166		2,282,289,166	2,102,781,536		2,102,781,536
Commodity stocks	609,349,091	8,570,313	600,778,778	718,127,090	20,179,637	697,947,453
Total	2,944,703,573	8,570,313	2,936,133,260	2,892,590,044	20,179,637	2,872,410,407

7.6.2 Inventory depreciation provision

Unit: Yuan

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Accrual	Other	Transfer back or write-off	Other	
Raw materials						
Goods in process						
Commodity stocks	20,179,637			11,609,324		8,570,313
Total	20,179,637			11,609,324		8,570,313

7.7 Other current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Prepaid corporate income tax	26,971,533	16,854,091
Deductible input tax	234,012,096	248,975,183
Rent to be amortized	1,934,092	1,595,664
Total	262,917,721	267,424,938

7.8 Long-term equity investments

Unit: Yuan

Investee	Beginning balance (book value)	Movements during the period								Ending balance (book value)	Ending balance of provision for impairment	
		Increase in capital	Decrease in capita	Losses from investments under equity-method	Other omprehensive income adjustment	Other equity changing	Declare cash dividend or profit	Accrual provision for impairment	Others			
1. Joint ventures												
SAS L&M Holdings (“L&M Holdings”)	43,981,130			-1,170,685							42,810,445	
Subtotal	43,981,130			-1,170,685							42,810,445	

On February 22, 2019, Francs Champs Participations SAS (“Francs Champs”), a subsidiary of the

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

7.9 Investment real estate

7.9.1 Investment real estate by cost measurement method

Unit: Yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I Original book value				
1. Beginning balance	70,954,045			70,954,045
2. Increase in this period				
2.1 Outsourcing				
2.2 Transfer in from inventories\fixed assets\ construction in progress				
2.3 Business merger increase				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance	70,954,045			70,954,045
II Accumulated depreciation & accumulated amortization				
1. Beginning balance	41,239,459			41,239,459
2. Increase in this period	1,369,899			1,369,899
2.1 Accrual or amortization	1,369,899			1,369,899
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance	42,609,358			42,609,358
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal				
3.2 Other transfer out				
4. Ending balance				
IV Book value				
1. Ending book value	28,344,687			28,344,687
2. Beginning book value	29,714,586			29,714,586

7.10 Fixed assets

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed assets	5,818,499,845	5,894,068,898
Disposal of fixed assets		
Total	5,818,499,845	5,894,068,898

7.10.1 Particulars of fixed assets

Unit: Yuan

Item	Houses and buildings	Machinery equipment	Conveyance	Total
I Original book value:				
1. Beginning balance	5,093,628,796	2,730,306,041	26,670,156	7,850,604,993
2. Increase in this period	26,435,121	32,745,994	1,109,021	60,290,136
2.1 Acquisition	16,217,779	30,825,672	1,109,021	48,152,472
2.2 Transfer in from construction in progress	10,217,342	1,920,322		12,137,664
2.3 Business merger increase				
3. Decrease in this period		1,037,337		1,037,337
3.1 Disposal or retirement		1,037,337		1,037,337
4. Ending balance	5,120,063,917	2,762,014,698	27,779,177	7,909,857,792
II Accumulated depreciation				
1. Beginning balance	755,115,344	1,163,797,943	20,144,781	1,939,058,068
2. Increase in this period	55,228,292	78,723,926	1,136,974	135,089,192
2.1 Accrual	55,228,292	78,723,926	1,136,974	135,089,192
3. Decrease in this period		267,340		267,340
3.1 Disposal or retirement		267,340		267,340
4. Ending balance	810,343,636	1,242,254,529	21,281,755	2,073,879,920
III Impairment provision				
1. Beginning balance		17,478,027		17,478,027
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal or retirement				
4. Ending balance		17,478,027		17,478,027
IV Book value				
1. Ending book value	4,309,720,281	1,502,282,142	6,497,422	5,818,499,845
2. Beginning book value	4,338,513,452	1,549,030,071	6,525,375	5,894,068,898

As at June 30, 2020, the net value of the fixed assets with ownership restrictions was RMB 338,237,400 Yuan (December 31, 2019: RMB 344,670,852 Yuan). Please refer to Note 7.51 for details.

7.10.2 Particulars of temporarily idle fixed assets

Unit: Yuan

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Remarks
Buildings	47,821,026	15,511,660		32,309,366	
Machinery equipment	73,592,531	54,095,030	17,478,027	2,019,474	
Other equipment	3,344,518	3,176,756		167,762	
Total	124,758,075	72,783,446	17,478,027	34,496,602	

7.10.3 Particulars of fixed assets under finance leases

Nil

7.10.4 Fixed assets under operating lease

Unit: Yuan

Item	Ending book value
Machinery equipment	64,944

7.10.5 Particulars of fixed assets without property certificates

Unit: Yuan

Item	Book value	Reason for not receiving the property certificate
Industrial Production Center of the R&D Company	1,744,312,701	Under transaction
Dormitory Building, Main Building and Reception Building of Chang'an Chateau	283,676,202	Under transaction
European Town, Main Building and Service Building of Beijing Chateau	178,930,935	Under transaction
Main Building of Yantai Chateau Changyu Tinlot	78,378,833	Under transaction
Fermentation Workshop and Wine Storage Workshop of Xinjiang Tianzhu	16,802,302	Under transaction
Office Building and Packaging Workshop of Icewine Valley	8,736,650	Under transaction
Wine-making Workshop of Changyu (Jingyang)	3,707,219	Under transaction
Office Building, Laboratory Building and Workshop of Fermentation Center	3,400,025	Under transaction
Finished Goods Warehouse and Workshop of Kylin Packaging	2,260,833	Under transaction
Office of Sales Company	2,232,626	Under transaction
Total	2,322,438,325	Under transaction

7.11 Construction in progress

Unit: Yuan

Item	Ending balance	Beginning balance
------	----------------	-------------------

Construction in progress	647,036,593	567,478,833
Engineering materials		
Total	647,036,593	567,478,833

7.11.1 Particulars of construction in progress

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Research, Development & Manufacture Center (“Changyu Wine City Complex”)	571,245,868		571,245,868	485,017,326		485,017,326
Construction Project of Ningxia Chateau	46,448,561		46,448,561	46,448,561		46,448,561
Construction Project of Chang’an Chateau	5,002,367		5,002,367	4,052,839		4,052,839
Construction Project of Shihezi Chateau	1,326,390		1,326,390	877,348		877,348
Construction Project of Sales Company	7,925,062		7,925,062	6,313,962		6,313,962
Construction Projects of Other Companies	15,088,345		15,088,345	24,768,797		24,768,797
Total	647,036,593		647,036,593	567,478,833		567,478,833

7.11.2 Changes of major construction in progress in this period

Item	Budget	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Other decrease in this period	Ending balance	Proportion of accumulative project input in budget	Accumulative capitalized amount of interest	Including: capitalized amount of interest in this period	Capitalization ratio of interest in this period	Capital source
Changyu Wine City Complex	4,505,780,000	485,017,326	92,778,083	6,549,541		571,245,868	79.70%	15,824,401	411,299	1.20% and 4.3%	Loans form financial institutions and self-raised funds
Construction Project of Ningxia Chateau	414,150,000	46,448,561				46,448,561	102.20%				Self-raised funds
Construction Project of Chang'an Chateau	620,740,000	4,052,839	6,522,266	5,572,738		5,002,367	111.50%				Self-raised funds
Construction Project of Shihezi Chateau	780,000,000	877,348	449,042			1,326,390	96.50%				Self-raised funds
Construction Project of Sales Company	161,350,000	6,313,962	1,611,100			7,925,062	101.30%				Self-raised funds
Total	6,482,020,000	542,710,036	101,360,491	12,122,279		631,948,248	--	15,824,401	411,299		--

As at June 30, 2020, there was no indication for impairment of construction in progress of the Group, so no provision for impairment was made.

7.12 Productive biological assets

7.12.1 Productive biological assets by cost measurement method

Unit: Yuan

Item	Plantation		Total
	Immature	Mature	
I Original book value			
1. Beginning balance	12,828,822	240,517,972	253,346,794
2. Increase in this period	-5,577,636	6,173,226	595,590
2.1 Outsourcing			
2.2 Self cultivation	595,590		595,590
The immature turn to the mature	-6,173,226	6,173,226	
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance	7,251,186	246,691,198	253,942,384
II Accumulated depreciation			
1. Beginning balance		50,921,508	50,921,508
2. Increase in this period		6,782,285	6,782,285
2.1 Accrual		6,782,285	6,782,285
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance		57,703,793	57,703,793
III Impairment provision			
1. Beginning balance			
2. Increase in this period			
2.1 Accrual			
3. Decrease in this period			
3.1 Disposal			
3.2 Other			
4. Ending balance			
IV Book value			
1. Ending book value	7,251,186	188,987,405	196,238,591
2. Beginning book value	12,828,822	189,596,464	202,425,286

As at June 30, 2020, no ownership of the biological assets was restricted.

As at June 30, 2020, there was no indication for impairment of biological assets of the Group, so no provision was made.

7.13 Intangible assets

7.13.1 Particulars of intangible assets

Unit: Yuan

Item	Land use right	Software use right	Trademark	Total
I Original book value				
1.Beginning balance	531,755,702	88,258,481	170,773,266	790,787,449
2. Increase in this period		337,512	82,249	419,761
2.1 Acquisition		337,512	82,249	419,761
2.2 Internal R&D				
2.3 Business merger increase				
3. Decrease in this period				
3.1 Disposal				
4. Ending balance	531,755,702	88,595,993	170,855,515	791,207,210
II Accumulated amortization				
1.Beginning balance	89,333,506	35,165,790	14,341,798	138,841,094
2. Increase in this period	5,353,487	5,716,724	75,325	11,145,536
2.1 Accrual	5,353,487	5,716,724	75,325	11,145,536
3. Decrease in this period				
3.1 Disposal				
4. Ending balance	94,686,993	40,882,514	14,417,123	149,986,630
III Impairment provision				
1. Beginning balance				
2. Increase in this period				
2.1 Accrual				
3. Decrease in this period				
3.1 Disposal				
4. Ending balance				
IV Book value				
1. Ending book value	437,068,709	47,713,479	156,438,392	641,220,580
2. Beginning book value	442,422,196	53,092,691	156,431,468	651,946,355

As at June 30, 2020, the net value of the intangible assets with ownership restrictions was RMB 209,707,945 Yuan (December 31, 2019: RMB 212,495,435). Please refer to Note 7.51 for details.

7.13.2 Particulars of land use right of that not receiving the property certificate

Nil

7.14 Goodwill

7.14.1 Original book value of goodwill

Unit: Yuan

Name of the invested unit or matter forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed by business merger	Other	Disposal	Other	
Etablissements Roulet Fransac (“Roulet Fransac”)	13,112,525					13,112,525
Dicot Partners, S.L (“Atrio Group”)	92,391,901					92,391,901
Indomita Wine Company Chile, SpA	6,870,115					6,870,115
Kilikanoon Estate, Australia	37,063,130					37,063,130
Total	149,437,671					149,437,671

7.14.2 Provision for impairment of goodwill

Unit: Yuan

Name of the invested unit or matter forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed by business merger	Other	Disposal	Other	
Etablissements Roulet Fransac (“Roulet Fransac”)						
Dicot Partners, S.L (“Atrio Group”)						
Indomita Wine Company Chile, SpA						
Kilikanoon Estate, Australia	7,578,478					7,578,478
Total	7,578,478					7,578,478

7.15 Long-term unamortized expenses

Unit: Yuan

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease	Ending balance
Land lease fees	52,129,414		699,680		51,429,734
Land acquisition fees	41,460,260		575,734		40,884,526
Afforestation fees	145,952,500	787,431	4,610,618		142,129,313
Renovation costs	32,988,886		1,443,983		31,544,903
Other	5,064,348		283,327		4,781,021
Total	277,595,408	787,431	7,613,342		270,769,497

7.16 Deferred income tax assets/liabilities

7.16.1 Un-offset deferred income tax assets

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	43,251,879	10,812,970	54,771,519	13,692,880
Unrealized profits from inter-company transactions	333,361,876	83,340,470	479,898,175	119,974,545
Deductible loss	286,136,558	73,596,023	247,147,752	63,459,305
Unpaid bonus	111,494,802	27,873,700	184,674,946	46,168,736
Dismission welfare	21,088,263	5,272,066	24,833,512	6,208,378
Deferred income	61,772,908	13,428,664	70,643,437	15,422,659
Total	857,106,286	214,323,893	1,061,969,341	264,926,503

7.16.2 Un-offset deferred income tax liabilities

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets appraisal appreciation in business merger under non-common control	50,453,763	14,303,137	51,829,561	14,691,424
Total	50,453,763	14,303,137	51,829,561	14,691,424

7.16.3 Details of unconfirmed deferred income tax assets

Unit: Yuan

Item	Ending balance	Beginning balance
Deductable temporary difference		
Deductible loss	125,159,701	132,081,819
Total	125,159,701	132,081,819

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

Unit: Yuan

Year	Ending sum	Beginning sum	Remark
2020	5,718,454	5,718,454	
2021	36,741,465	36,741,465	
2022	26,609,674	26,609,674	
2023	6,987,182	31,350,376	
2024	7,726,790	31,661,850	
2025	41,376,136		
Total	125,159,701	132,081,819	--

7.17 Other non-current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Royalty	184,158,436	193,674,320
Total	184,158,436	193,674,320

7.18 Short-term loans**7.18.1 Classification of short-term loans**

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	59,875,404	82,568,222
Guaranteed loan	11,476,342	10,677,905
Fiduciary loan	665,831,955	661,067,617
Total	737,183,701	754,313,744

As at June 30, 2020, mortgaged loans were Hacienday Viñedos Marques del Atrio, S.L.U ("Atrio") factoring of accounts receivable from banks including Banco de Sabadell, S.A. of EUR3,964,000 (equivalent of RMB31,557,404 Yuan) (December 31, 2019: RMB54,663,422 Yuan). Mortgaged loans were Indomita Wine mortgaged USD4,000,000 (equivalent of RMB28,318,000 Yuan) of its fixed assets to BBVA (December 31, 2019: RMB27,904,800 Yuan). Australia Kilikanoon Estate has guaranteed loans of AUD2,358,621 (equivalent of RMB11,476,342 Yuan) (December 31, 2019: RMB10,677,905 Yuan).

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

Unit: Yuan

Item	Ending balance	Beginning balance
Accounts payable for materials, etc.	379,727,980	570,252,612
Total	379,727,980	570,252,612

7.19.2 Explanation of significant accounts payable aged more than one year

As at June 30, 2020, there were no significant accounts payable aged more than one year.

7.20 Contract liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Advances from customers	100,523,260	106,734,070
Total	100,523,260	106,734,070

7.21 Employee remunerations payable

7.21.1 List of employee remunerations payable

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Short-term remuneration	208,889,457	119,601,171	210,105,009	118,385,619
2. Post-employment welfare – defined contribution plan	736,147	17,329,399	17,676,500	389,046
3. Dismissal welfare	24,833,512	441,038	4,186,287	21,088,263
4. Other welfare due within one year				
Total	234,459,116	137,371,608	231,967,796	139,862,928

7.21.2 List of short-term remunerations

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Salaries, bonuses, allowances and subsidies	212,017,795	104,134,847	192,207,416	123,945,226
2. Staff welfare	2,001,589	2,260,811	4,169,008	93,392
3. Social insurance charges	567,446	5,617,673	6,121,959	63,160
Including: Medical insurance	567,446	4,982,116	5,486,402	63,160
Injury insurance		518,934	518,934	
Maternity insurance		116,623	116,623	
4. Housing fund	14,195	5,934,629	5,927,978	20,846
5. Union fee and staff education fee	1,934,209	1,653,211	1,678,648	1,908,772
6. Short-term compensated absences				
7. Short-term profit-sharing plan				
Minus: Those divided into non-current liabilities	7,645,777			7,645,777
Total	208,889,457	119,601,171	210,105,009	118,385,619

7.21.3 List of defined contribution plan

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic endowment insurance	736,137	16,573,752	16,920,853	389,036
2. Unemployment insurance	10	755,647	755,647	10
3. Enterprise annuity payment				
Total	736,147	17,329,399	17,676,500	389,046

7.21.4 Dismission welfare

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Compensation for server of labor relation		441,038	441,038	
2. Compensation for early retirement	24,833,512		3,745,249	21,088,263
Total	24,833,512	441,038	4,186,287	21,088,263

7.22 Taxes and dues payable

Unit: Yuan

Item	Ending balance	Beginning balance
Value added tax	24,637,073	88,590,035
Consumption tax	11,731,929	48,497,550
Corporate income tax	104,903,260	216,958,309
Individual income tax	391,707	840,997
Urban maintenance and construction tax	2,194,198	6,731,772
Education surcharges	1,589,510	4,858,904
Urban land use tax	2,343,608	2,216,390
Other	6,780,990	6,476,014
Total	154,572,275	375,169,971

7.23 Other payables

Unit: Yuan

Item	Ending balance	Beginning balance
Interest payable	2,167,287	758,047
Dividends payable	480,819,925	1,366,559
Other payables	310,046,401	448,407,879
Total	793,033,613	450,532,485

7.23.1 Interest payable

Unit: Yuan

Item	Ending balance	Beginning balance
Interest of long-term loans with interest paid by installment and principal paid on maturity		
Interest of corporate bonds		
Interest payable of short-term loans	2,167,287	758,047
Interest of preferred shares\ perpetual bonds divided into financial liabilities		
Other		
Total	2,167,287	758,047

7.23.2 Dividends payable

Unit: Yuan

Item	Ending balance	Beginning balance
Ordinary stock dividends	479,824,800	
Preferred stock dividends/sustainable debt dividends divided into equity instruments		
Other	995,125	1,366,559
Total	480,819,925	1,366,559

7.23.3 Other payables

7.23.3.1 Other payables listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
Dealer's deposit payable	167,342,614	164,649,995
Equipment purchase and construction costs payable	56,776,519	72,004,009
Transportation charges payable	14,043,603	31,842,443
Advertisement expenses payable	1,107,877	90,741,404
Employee cash deposit	619,282	1,866,765
Supplier's deposit payable	15,231,550	13,990,900
Contracting fees payable	11,788,691	16,997,685
Other	43,136,265	56,314,678
Total	310,046,401	448,407,879

7.24 Non-current liabilities due within one year

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term loans due within one year	64,996,064	116,826,221
Bonds payable due within one year		
Long-term accounts payable due within one year	34,000,000	34,000,000
Lease liabilities due within one year		
Total	98,996,064	150,826,221

7.25 Long-term loans

7.25.1 Classification of long-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Mortgage loan	2,475,871	3,875,992
Guaranteed loan	102,138,400	105,093,000
Fiduciary loan	178,995,129	136,749,730
Less: Long-term loans due within one year	64,996,064	116,826,221
Total	218,613,336	128,892,501

As at June 30, 2020, credit loans were EUR22,484,000 borrowed by Atrio from Bankia, Banco Santander, BBVA and Caja Rural de Navarr etc. (equivalent of RMB178,995,124 Yuan) (December 31, 2019: RMB136,749,730 Yuan). Mortgaged loans (RMB) were long-term borrowings of RMB43,750,000 Yuan of the R&D Centre, a subsidiary of the Company (December 31, 2019: RMB56,250,000 Yuan). Australia Kilikanoon Estate has borrowed AUD12,000,000 (equivalent of RMB58,388,400 Yuan) (December 31, 2019: RMB48,843,000 Yuan) from ANZ Bank and its guaranteed by the Company. Mortgaged loans were borrowings of EUR311,000 (equivalent of RMB2,475,871 Yuan) from Popular Español, pledged with its land which valued EUR2,929,628 (equivalent of RMB23,322,769 Yuan) (December 31, 2019: RMB3,875,992 Yuan).

7.26 Long-term accounts payable

Item	Ending balance	Beginning balance
Long-term accounts payable	167,000,000	191,000,000
Special accounts payable		
Total	167,000,000	191,000,000

7.26.1 Long-term accounts payable listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
Agricultural Development Fund of China ("CADF")	201,000,000	225,000,000
Less: Long-term payables due within one year	34,000,000	34,000,000
Balance of long-term payables	167,000,000	191,000,000

In 2016, Agricultural Development Fund invested RMB 305,000,000 Yuan in the Research, Development & Manufacture Company, accounting for 37.9% of the registered capital. According to the investment agreement, it is agreed that Agricultural Development Fund will take back the investment fund in ten years and obtain fixed income according to year, which is 1.2% of the remaining principal. Except for the above fixed income, the Agricultural Development Fund shall not enjoy other profits of the Research, Development & Manufacture Company or bear the losses of the Research, Development & Manufacture Company. Accordingly, the investment of the Agricultural Development Fund in the Research, Development & Manufacture Company is equity investment nominally, which is debt investment (finance discount interest loan) in deed. The Group included the investment of the Agricultural Development Fund in long-term accounts payable measured by amortized cost. From January to June 2020, the Group gave back the principal of RMB 24,000,000 Yuan. Refer to Note 7.51 for details of mortgaged and pledged assets.

7.27 Deferred income

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Forming reason
Governmental subsidy	70,701,288	445,536	9,373,916	61,772,908	
Total	70,701,288	445,536	9,373,916	61,772,908	--

Projects related to governmental subsidy

Unit: Yuan

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Amount included in other income in this period	Amount offset the cost expenses	Other changes	Ending balance	Related to assets/income
Industrial development support project	28,700,000			2,050,000			26,650,000	Related to assets
Xinjiang industrial revitalisation and technological transformation project	14,220,000			711,000			13,509,000	Related to assets
Fixed asset investment reward of Shihezi Chateau project	4,716,600			1,140,000			3,576,600	Related to assets
Shandong Peninsula Blue Economic Area construction funds	4,000,000			1,000,000			3,000,000	Related to assets
Special government grant for infrastructure	3,180,000			530,000			2,650,000	Related to assets
Raw wine fermentation project	1,869,600			717,450			1,152,150	Related to assets
Wine fermentation capacity construction (Huanren) project	2,800,000			200,000			2,600,000	Related to assets
Engineering technology transformation of information system project	2,320,000			290,000			2,030,000	Related to assets
Liquor electronic tracking project	1,858,203			333,526			1,524,677	Related to assets
Infrastructure construction project	350,000	445,536		64,378			731,158	Related to assets
Special fund for efficient water-saving irrigation project	1,877,000			481,000			1,396,000	Related to assets
Subsidy for economic and energy-saving technological transformation projects	898,100			64,150			833,950	Related to assets
Wine industry development project	372,000			93,000			279,000	Related to assets
Subsidy for mechanic development of Penglai Daluihang Base	265,397						265,397	Related to assets
Coal subsidy	201,500			13,000			188,500	Related to assets
Cross-border e-commerce project	839,958			124,611			715,347	Related to income
Travelling development fund subsidy project	560,000						560,000	Related to income
Water pollution control project fund	92,930			56,801			36,129	Related to income
Subsidy for boiler reconstruction and demolition	80,000			5,000			75,000	Related to income

Special funds for the development of enterprises	1,500,000			1,500,000				Related to income
Total	70,701,288	445,536		9,373,916			61,772,908	

7.28 Other non-current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Employee remunerations payable	7,645,777	7,645,777
Total	7,645,777	7,645,777

As at June 30, 2020, the employee remunerations payable referred to the job security deposit deducted from the year-end bonus of the employees higher than sales manager of the Company in proportion, which will be paid from 2021 to 2023 as predicted.

7.29 Share capital

Unit: Yuan

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

7.30 Capital reserves

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital premium (Share capital premium)	559,133,834			559,133,834
Other capital reserves	5,916,588			5,916,588
Total	565,050,422			565,050,422

7.31 Other comprehensive income

Unit: Yuan

Item	Beginning balance	Amount incurred in this period						Ending balance
		Amount incurred before income tax in this period	Minus: amount included in other comprehensive income before and transferred to profit or loss in this period	Minus: amount included in other comprehensive income before and transferred to retained earnings in this period	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Other comprehensive income								

Item	Beginning balance	Amount incurred in this period						Ending balance
		Amount incurred before income tax in this period	Minus: amount included in other comprehensive income before and transferred to profit or loss in this period	Minus: amount included in other comprehensive income before and transferred to retained earnings in this period	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
not to be reclassified into profit and loss later								
Including: Changes after remeasuring and resetting the benefit plans								
Other comprehensive income not to be reclassified into profit and loss under equity law								
Changes in the fair value of other investments in equity instruments								
Changes in the fair value of the enterprise's own credit risk								
2. Other comprehensive income to be reclassified into profit and loss later	-4,235,583	-5,765,822				-5,006,653	-759,169	-9,242,236
Including: Other comprehensive income to be reclassified into profit and loss under equity law								
Changes in the fair value of other debt investments								
Amount of financial assets reclassified into other comprehensive income								
Provision for credit impairment of other credit investments								
Provision for cash-flow hedge								
Difference in translation of Foreign Currency Financial Statement	-4,235,583	-5,765,822				-5,006,653	-759,169	-9,242,236
Total other comprehensive income	-4,235,583	-5,765,822				-5,006,653	-759,169	-9,242,236

7.32 Surplus reserves

Unit: Yuan

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

7.33 Undistributed profit

Unit: Yuan

Item	Ending balance	Beginning balance
Undistributed profit at the end of prior period before adjustment	8,719,899,359	8,008,982,547
Total Undistributed profit at the beginning of the period before adjustment (increase listed with +, and decrease listed with -)		-7,540,537
Undistributed profit at the beginning of the period after adjustment	8,719,899,359	8,001,442,010
Plus: Net profit for owner of the parent company	307,035,572	1,129,735,749
Minus: Drawn legal surplus		
Drawn free surplus		
Drawn common risk provision		
Common dividend payable	479,824,800	411,278,400
Common dividend transferred to share capital		
Undistributed profit at the end of period	8,547,110,131	8,719,899,359

7.34 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	1,390,770,376	569,872,959	2,541,459,605	927,958,197
Other business	10,836,416	4,777,718	16,815,180	8,294,028
Total	1,401,606,792	574,650,677	2,558,274,785	936,252,225

7.35 Taxes and surcharges

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Consumption tax	49,392,779	68,699,658

Urban maintenance and construction tax	9,360,101	18,763,626
Education surcharges	6,787,564	13,670,717
Building tax	13,946,836	14,184,915
Land use tax	5,823,990	5,478,045
Stamp duty	2,276,001	1,504,356
Other	516,222	1,249,531
Total	88,103,493	123,550,848

7.36 Selling expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Marketing expenses	54,684,262	268,185,487
Employee remunerations	95,885,996	130,725,779
Transportation expenses		53,735,626
Trademark use fees	8,953,500	
Storage and lease expenses	17,922,792	24,274,917
Depreciation expenses	25,656,686	20,476,637
Advertisement expenses	14,084,571	26,920,257
Conference expenses	2,447,005	8,945,999
Design & production expenses	1,590,960	2,365,761
Service charges	3,608,458	11,484,614
Travel expenses	8,356,075	11,822,548
Water, electricity and gas charges	4,080,146	7,697,325
Office & postage costs	1,840,823	2,801,706
Packing expenses	2,540,043	3,971,486
Public security & clean-keeping expenses	1,854,437	2,214,479
Business entertainment expenses	589,472	1,763,307
Other	6,435,820	14,584,873
Total	250,531,046	591,970,801

7.37 Management expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Employee remunerations	27,711,146	62,572,295
Depreciation expenses	36,815,081	31,887,697
Contracting expenses	6,687,337	7,178,106
Repair expenses	4,750,072	8,253,897
Office expenses	5,617,017	10,177,651
Amortization expenses	10,475,529	7,677,849
Afforestation fees	6,910,323	7,682,946
Safe production costs	2,506,681	2,357,016
Rental expenses	4,659,247	4,766,202
Business entertainment expenses	1,480,213	2,631,383

Public security & clean-keeping expenses	2,957,475	3,356,435
Travel expenses	424,412	2,971,468
Other	2,075,336	4,039,367
Total	113,069,869	155,552,312

7.38 R&D expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
R&D expenses	1,805,988	2,706,811
Total	1,805,988	2,706,811

7.39 Financial expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Interest expenditure	14,891,310	9,812,560
Minus: Interest income	6,088,281	4,606,417
Plus: Commission charges	2,182,502	1,271,831
Exchange gain or loss	975,571	2,311,609
Total	11,961,102	8,789,583

7.40 Other income

Unit: Yuan

Source of other income	Amount incurred in this period	Amount incurred in prior period
Supporting fund for industrial development	2,050,000	2,050,000
Reward for investment in fixed assets	1,140,000	1,140,000
Special fund for construction of peninsula blue economic zone	1,000,000	1,000,000
Other – related to assets	3,497,505	3,082,627
Special fund for supporting corporate development	38,279,579	51,633,350
Other – related to income	3,813,147	5,305,915
Total	49,780,231	64,211,892

7.41 Investment income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Investment income from long-term equity by equity method	-1,170,685	
Investment income from disposal of long-term equity		
Investment income gained from trading financial assets during the holding period		
Investment income gained from disposal of trading financial assets		
Dividend income gained from other equity instruments		

Item	Amount incurred in this period	Amount incurred in prior period
during the holding period		
Gains generated from the remaining equity remeasured as per fair value after the loss of control		
Interest income gained from equity investment during the holding period		
Interest income gained from other equity investments during the holding period		
Investment income gained from disposal of other equity investments		
Total	-1,170,685	

7.42 Loss on impairment of credit

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Loss on bad debts of accounts receivable	100,835	-765,935
Total	100,835	-765,935

7.43 Loss on impairment of assets

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
1. Loss on bad debts		
2. Inventory falling price loss and loss on impairment of contract execution cost	4,242,813	6,148,729
3. Loss on impairment of long-term equity investment		
4. Loss on impairment of investment real estate		
5. Loss on impairment of fixed assets		
6. Loss on impairment of engineering materials		
7. Loss on impairment of construction in progress		
8. Loss on impairment of productive biological assets		
9. Loss on impairment of oil and gas assets		
10. Loss on impairment of intangible assets		
11. Loss on impairment of goodwill		
12. Other		
Total	4,242,813	6,148,729

7.44 Income from asset disposal

Unit: Yuan

Source of income from asset disposal	Amount incurred in this period	Amount incurred in prior period
Income from disposal of fixed assets	39,641	1,138
Total	39,641	1,138

7.45 Non-operating income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Gains on debt recombination			
Gains on exchange of non-monetary assets			
Grains on donations			
Governmental subsidy			
Other	4,682,230	3,575,914	4,682,230
Total	4,682,230	3,575,914	4,682,230

7.46 Non-operating expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Loss on debt recombination			
Loss on exchange of non-monetary assets			
Donation	500,000		500,000
Fine, penalty and overdue fine paid due to violation of laws and administrative regulations	31,123	10,811	31,123
Other	336,150	153,239	336,150
Total	867,273	164,050	867,273

7.47 Income tax expenses**7.47.1 List of income tax expenses**

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior
Current income tax expenses	59,475,646	161,779,976
Deferred income tax expenses	50,214,323	48,501,602
Total	109,689,969	210,281,578

7.47.2 Adjustment process of accounting profit and income tax expenses

Unit: Yuan

Item	Amount incurred in this period
Total profit	418,292,409
Income tax expenses calculated according to the legal/applicable tax rate	104,573,102
Influence of different tax rates applicable to subsidiary	1,151,306

Item	Amount incurred in this period
Influence of income tax in the term before adjustment	155,763
Influence of nontaxable income	
Influence of non-deductible costs, expenses and losses	1,878,100
Influence of deductible loss from use of unconfirmed deferred income tax assets in prior period	
Influence of deductible temporary difference or deductible loss of unconfirmed deferred income tax assets in this period	1,931,698
Income tax expense	109,689,969

7.48 Other comprehensive income

Refer to Note 7.31 for details.

7.49 Items of cash flow statement

7.49.1 Other cash received related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Governmental subsidy income	40,851,851	62,580,748
Interest income	3,865,811	2,835,438
Net amercement income	269,694	1,225,511
Other	3,186,178	1,143,923
Total	48,173,534	67,785,620

7.49.2 Other cash paid related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Selling expenses	218,880,805	348,849,996
Administrative expenses	37,212,155	41,017,612
Other	3,049,775	2,912,859
Total	259,142,735	392,780,467

7.50 Supplementary information to cash flow statement

7.50.1 Supplementary information to cash flow statement

Unit: Yuan

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	308,602,440	602,178,315
Plus: Provision for impairment of assets	-4,343,648	-5,382,794
Depreciation of fixed assets, oil-and-gas assets	143,241,376	155,147,729

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
and productive biological assets		
Depreciation of right-of-use assets		
Amortization of intangible assets	11,145,536	8,438,742
Amortization of long-term deferred expenses	7,613,342	6,662,662
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with “-”)	-39,641	-1,138
Losses on retirement of fixed assets (profit listed with “-”)	2,127	
Losses on fair value change (profit listed with “-”)		
Financial costs (profit listed with “-”)	13,316,860	13,987,879
Investment losses (profit listed with “-”)	1,170,685	
Decrease in deferred income tax assets (increase listed with “-”)	50,602,610	50,789,656
Increase of deferred income tax liabilities (decrease listed with “-”)	-388,287	-3,381,035
Decrease in inventories (increase listed with “-”)	-52,113,529	123,958,750
Decrease in operating receivables (increase listed with “-”)	180,626,835	-172,662,167
Increase in operating payable (decrease listed with “-”)	-689,089,527	-280,260,593
Other		
Net cash flows from operating activities	-29,652,821	499,476,006
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
Debt transferred into assets		
Convertible corporate bond due within 1 year		
Fixed assets under financing lease		
3. Net changes of cash and cash equivalent:	--	--
Ending balance of cash	1,300,790,389	1,573,727,077
Minus: Beginning balance of cash	1,365,772,675	1,206,860,334
Plus: Ending balance of cash equivalent		
Minus: Beginning balance of cash equivalent		
Net increase amount of cash and cash equivalent	-64,982,286	366,866,743

7.50.2 Composition of cash and cash equivalents

Unit: Yuan

Item	Ending balance	Beginning balance
1. Cash	1,300,790,389	1,365,772,675
Including: Cash on hand	38,910	59,975
Bank deposits on demand	1,300,751,479	1,365,712,700
Other monetary capital on demand		
Due from central bank available for payment		
Due from the industry		
Inter-bank lending		
2. Cash equivalents		

Item	Ending balance	Beginning balance
Including: Bond investment due within three months		
3. Balance of cash and cash equivalents at the end of period	1,300,790,389	1,365,772,675
Including: Restricted use of parent company or subsidiaries in the group		

7.51 Assets with ownership or use right restrictions

Item	Ending book value	Reason for restriction
Monetary capital	94,216,666	Loan deposit, L/C deposit, frozen balance of Alipay, housing fund and guaranty money for deposit in unit card
Bills receivable	31,557,404	Pledge of short-term loans
Fixed assets	338,237,400	Pledge of short-term loans, long-term loans and long-term accounts payable
Intangible assets	209,707,945	Pledge of long-term accounts payable
Total	673,719,415	--

8. Changes in scope of consolidation

Nil

9. Equity in other entities

9.1 Equity in the subsidiaries

9.1.1 Constitution of enterprise group

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Xinjiang Tianzhu Wine Co., Ltd. (“Xinajing Tianzhu”)	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	60%		Acquired from a business combination under non-common control
Etablissements Roulet Frasnac (“Roulet Frasnac”)	Cognac, France	Cognac, France	Trading		100%	Acquired from a business combination under non-common control
Dicot Partners, S.L (“Dicot”)	Navarre, Spain	Navarre, Spain	Sales	75%		Acquired from a business combination under non-common control
Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SpA. (“Chile Indomita Wine Group”)	Santiago, Chile	Santiago, Chile	Sales	85%		Acquired by establishment or investment
Kilikanoon Estate Pty Ltd (“Australia Kilikanoon Estate”)	Adelaide, Australia	Adelaide, Australia	Sales	82.50%		Acquired from a business combination under non-common control
Beijing Changyu Sales and Distribution Co., Ltd	Beijing, China	Beijing, China	Sales	100%		Acquired by establishment or

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
("Beijing Sales")						investment
Yantai Kylin Packaging Co Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	100%		Acquired by establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd ("Chateau Changyu") (b)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	70%		Acquired by establishment or investment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	100%		Acquired by establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel")	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	39%	10%	Acquired by establishment or investment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Sales	10%	90%	Acquired by establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Sales	10%	90%	Acquired by establishment or investment
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Sales	30%	70%	Acquired by establishment or investment
Beijing Changyu AFIP Agriculture development Co., Ltd ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Sales		100%	Acquired by establishment or investment
Beijing Chateau Changyu AFIP Global Co., Ltd. ("AFIP") (c)	Beijing, China	Beijing, China	Manufacturing	91.53%		Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	90%	10%	Acquired by establishment or investment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	70%	30%	Acquired by establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales		100%	Acquired by establishment or investment
Ningxia Changyu Grape Growing Co., Ltd. ("Ningxia Growing")	Yinchuan, Ningxia, China	Ningxia, China	Planting	100%		Acquired by establishment or investment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Sales	100%		Acquired by establishment or investment
Liaoning Changyu Golden Icewine Valley Co., Ltd. ("Golden Icewine Valley") (d)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	51%		Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales		100%	Acquired by establishment or investment
Yantai Changyu Fushan Trading Company ("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales		100%	Acquired by establishment or investment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Services		100%	Acquired by establishment or investment
Beijing AFIP Tourism and Culture ("AFIP Tourism")	Miyun, Beijing, China	Miyun, Beijing, China	Tourism		100%	Acquired by establishment or investment
Changyu (Ningxia) Wine Co., Ltd. ("Ningxia Wine")	Ningxia, China	Ningxia, China	Manufacturing	100%		Acquired by establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. ("Chateau Tinlot")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	65%	35%	Acquired by establishment or investment
Qing Tong Xia Changyu Wine Marketing Ltd. ("Qing Tong Xia Sales")	Ningxia, China	Ningxia, China	Sales		100%	Acquired by establishment or investment
Xinjiang Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	100%		Acquired by establishment or investment
Ningxia Chateau Changyu Moser XV Co., Ltd. ("Chateau Ningxia")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%		Acquired by establishment or investment
Shaanxi Chateau Changyu Rena Co., Ltd. ("Chateau Chang'an")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	100%		Acquired by establishment or investment
Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre") (e)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	72%		Acquired by establishment or investment
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	100%		Acquired by establishment or investment
Xinjiang Changyu Sales Co., Ltd ("Xinjiang Sales")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Sales		100%	Acquired by establishment or investment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Sales		100%	Acquired by establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd ("Shaanxi Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Sales		100%	Acquired by establishment or investment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Wine")	Penglai, Shandong, China	Penglai, Shandong, China	Sales		100%	Acquired by establishment or investment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou, Shandong, China	Laizhou, Shandong, China	Sales		100%	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Francs Champs Participations SAS ("Francs Champs")	Cognac, France	Cognac, France	Investment and trading	100%		Acquired by establishment or investment
Beijing Retailing Co. Ltd ("Beijing Retailing")	Beijing, China	Beijing, China	Sales		100%	Acquired by establishment or investment
Tianjin Changyu Pioneer Sales Co., Ltd ("Tianjin Pioneer") (a)	Tianjin, China	Tianjin, China	Sales		100%	Acquired by establishment or investment
Beijing Changyu Pioneer Sales Co., Ltd ("Beijing Pioneer") (a)	Beijing, China	Beijing, China	Sales		100%	Acquired by establishment or investment
Yantai Roullet Fransac Wine Sales Co., Ltd. ("Yantai Roullet Fransac")	Yantai, Shandong, China	Yantai, Shandong, China	Sales		100%	Acquired by establishment or investment
Guangzhou Changyu Pioneer Sales Co., Ltd ("Guangzhou Pioneer") (a)	Guangzhou, Guangdong, China	Guangzhou, Guangdong, China	Sales		100%	Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	100%		Acquired by establishment or investment
Shaanxi Chateau Changyu Rena Tourism Co., Ltd ("Chateau Tourism")	Xianxin, Shaanxi, China	Xianxin, Shaanxi, China	Tourism		100%	Acquired by establishment or investment
Longkou Changyu Wine Sales Co., Ltd ("Longkou Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Sales		100%	Acquired by establishment or investment

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

(a) Companies above were deregistered in 2020.

(b) Chateau Changyu is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on December 31, 2022.

(c) AFIP is a limited liability company jointly established by the Company and Yantai De'an and Beijing Qinglang. In June 2019, Yantai Dean transferred 1.31% of its equity to Yantai Changyu. After the equity change, the Company holds 91.53% of its equity. Through agreement arrangement, the Company has the full power to control AFIP's strategic operating, investing and financing policies. The agreement arrangement will be terminated on September 2, 2024.

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

(e) The Research, Development & Manufacture Company is a joint venture established by the

Company and Agricultural Development Fund, whose 72% of the shares were held by the Company on December 31, 2019. As stated in Note 7.27, the Company exercises full control over the operation, investment and financing policies of the Research, Development & Manufacture Company by contract arrangement. The contract arrangement will expire on May 22, 2026. Up to June 30, 2020, the remaining investment of the Agricultural Development Fund accounted for 28.67% of the registered capital.

9.1.2 Important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Shareholding proportion of minority shareholders	Profit/loss attributable to minority shareholders in this period	Other comprehensive income attributable to minority shareholders in this period	Dividend declared to be distributed to minority shareholders in this period	Balance of minority shareholder's interest at the end of period
Xinjiang Tianzhu	40%	-1,268,453			46,315,685
Atrio Group	25%	2,735,240	538,514	995,125	34,148,093
Changyu Chateau	30%				12,365,016
Langfang Castel	51%	-605,347			19,033,761
AFIP	8.47%				56,409,393
Icewine Valley	49%				33,319,062
Indomita Wine	15%	549,632	-1,094,853		53,385,908
Kilikanoon Estate, Australia	17.50%	155,796	-202,830	185,128	14,578,260

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

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

Unit: Yuan

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	25,075,535	59,767,796	84,843,331	140,364	5,336,114	5,476,478	24,829,435	61,886,751	86,716,186	36,185	5,336,114	5,372,299
Changyu Chateau	130,901,716	112,847,346	243,749,063	163,197,646		163,197,646	142,525,011	113,168,202	255,693,213	174,843,671	400,000	175,243,671
Langfang Castel	15,755,772	14,271,097	30,026,870	1,256,937		1,256,937	19,021,766	14,958,223	33,979,989	4,023,101		4,023,101
Beijing Chateau	250,019,242	441,579,625	691,598,867	35,864,457	188,500	36,052,957	251,829,164	452,444,880	704,274,044	45,607,611	201,500	45,809,111
Icewine Valley	49,358,507	22,498,140	71,856,647	26,818,687	100,000	26,918,687	38,234,720	23,291,375	61,526,095	12,077,206	100,000	12,177,206
Marques del Atrio	414,831,789	94,319,003	509,150,792	226,512,338	145,632,259	372,144,597	470,219,326	91,571,444	561,790,770	380,788,880	53,110,213	433,899,093
Indomita Wine	214,245,502	289,781,873	504,027,375	135,350,982	5,212,702	140,563,684	223,722,688	291,630,115	515,352,803	142,365,749	5,152,974	147,518,723
Kilikanoon Estate, Australia	105,402,015	61,788,070	167,190,085	24,695,865	60,119,965	84,815,830	94,473,620	61,770,599	156,244,219	21,801,347	50,741,981	72,543,328

Unit: Yuan

Name of subsidiary	Amount incurred in this period				Amount incurred in prior period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Xinjiang Tianzhu		-3,171,133	-3,171,133	-756,855		-3,001,571	-1,297,212	-417,462
Changyu Chateau	15,274,042	-416,327	-416,327	9,574,274	24,470,842	-2,189,871	-686,874	6,946,282
Langfang Castel	116,711	-1,186,955	-1,186,955	-54,248		-1,474,975	-821,013	25,801
Beijing Chateau	50,688,043	-2,919,024	-2,919,024	-1,954,062	90,339,526	12,711,985	22,752,823	9,667,568
Icewine Valley	7,365,586	-4,410,928	-4,410,928	733,935	19,763,387	-1,986,710	-754,056	1,903,734
Marques del Atrio	130,982,536	10,940,963	13,095,017	-50,830,985	129,064,457	1,859,381	-4,084,674	-23,846,960
Indomita Wine	78,507,227	3,664,211	-3,634,807	29,108,449	86,818,838	3,762,504	1,880,687	-1,725,571
Kilikanoon Estate, Australia	18,928,910	890,266	-268,764	-6,891,812	22,852,809	-1,509,147	-4,011,458	1,024,962

10. Risks related to financial instruments

The Group has exposure to the following main risks from its use of financial instruments in the normal course of the Group's operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

The following mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

10.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

As at June 30, 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the Group has adopted a policy to ensure that all sales customers have good credit records. According to the policy of the Group, credit review is required for clients who require credit transactions. In addition, the Group continuously monitors the balance of account receivable to ensure there's no exposure to significant bad debt risks. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at June 30, 2020, 20.1% of the Group trade receivables are due from top five customers (December 31, 2019: 20.3%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

10.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the Company's board when the borrowings exceed certain predetermined levels). The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

10.3 Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at June 30, 2020, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Unit: Yuan

Item	June 30, 2020		December 31, 2019	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	1.4%-2.75%	81,200,000	1.1%-2.75%	106,128,600
Financial liabilities				
- Short-term loans	0.35%-4.9%	-187,183,701	0.35%-4.9%	-204,313,744
- Long-term loans (including the portion due within one year)	1%-4.275%	-239,859,400	1%-2.5%	-189,468,722
- Long-term payables (including the portion due within one year)	1.20%	-201,000,000	1.20%	-225,000,000
Total		-546,843,101		-512,653,866

Variable rate instruments:

Unit: Yuan

Item	June 30, 2020		December 31, 2019	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	0.3%-1.1%	1,395,007,055	0.3%-1.75%	1,459,595,4
Financial liabilities				
- Short-term loans	LPR	-550,000,000	LPR	-550,000,000
- Long-term loans (including the portion due within one year)	90% of 5-year LPR	-43,750,000	90% of 5-year LPR	-56,250,000
Total		801,257,055		853,345,405

(2) Sensitivity analysis

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

As at June 30, 2020, based on assumptions above, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would decrease the Group's equity by RMB1,113,281 Yuan (2019: RMB2,273,438 Yuan), and net profit by RMB1,113,281 Yuan (2019: RMB2,273,438 Yuan).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to

fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

10.4 Foreign currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(1) As at June 30, 2020, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

Unit: Yuan

Item	June 30, 2020		December 31, 2019	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand	5,423,409	38,957,649	6,662,525	46,592,414
- USD	4,783,307	33,863,425	6,525,673	45,524,399
- EUR	639,871	5,094,014	136,628	1,067,814
- HKD	230	210	224	201
Short-term loans	12,490,000	88,422,955	12,490,000	87,132,738
- USD	12,490,000	88,422,955	12,490,000	87,132,738

(2) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar, Euro and Hong Kong dollar at June 30, 2020 would have impact on the Group's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

Unit: Yuan

Item	Equity	Net profit
June 30, 2020		
USD	2,727,977	2,727,977
EUR	-53,391	-53,391
HKD		
Total	2,674,586	2,674,586

December 31, 2019		
USD	2,080,417	2,080,417
EUR	-53,391	-53,391
HKD	-10	-10
Total	2,027,016	2,027,016

A 5% weakening of the Renminbi against the US dollar, Euro and Hong Kong dollar at June 30, 2020 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

11. Fair value disclosure

All financial assets and financial liabilities held by the Group are carried at amounts not materially different from their fair value at June 30, 2020.

12. Related parties and related transactions

12.1 Particulars of the parent company of the Company

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

From January to June 2020, there was no fluctuation in the registered capital of the parent company and its share in equity interest and voting right.

12.2 Particulars of the subsidiaries of the Company

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

12.3 Information about joint ventures and associates of the Company

Other joint ventures and associates that have related party transactions with the Company during this period or that formed balance when having related party transactions with the Company during the prior period are as follows:

Name of entity	Relationship with the Company
L&M Holdings	Joint venture of the Group

12.4 Particulars of other related parties

Name of other related parties	Relationship between other related parties and the Company
Yantai Changyu Wine Culture Museum Co., Ltd. (“Wine Culture Museum”)	A company controlled by the same parent company
Yantai Changyu Window of International Wine City Co. Ltd. (“Window of Wine City”)	A company controlled by the same parent company
Yantai God Horse Packing Co., Ltd. (“God Horse Packing”)	A company controlled by the same parent company
Yantai Zhongya Medical Health Wine Co., Ltd. (“Zhongya Medical”)	A company controlled by the same parent company
Yantai Changyu Cultural Tourism Product Sales Co., Ltd. (“Cultural Sales”)	A company controlled by the same parent company
Yantai Changyu Cultural Tourism Development Co., Ltd. (“Cultural Development”)	A company controlled by the same parent company
L&M Holdings	Joint ventures
Mirefleurs	Subsidiaries of the joint venture
CHATEAU DE LIVERSAN (“LIVERSAN”)	Subsidiaries of the joint venture

12.5 Related transactions

12.5.1 Related transactions of purchasing and selling goods and providing and receiving services

List of purchasing goods/receiving services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
God Horse Packing	Purchasing goods	35,624,517	95,990,354
Zhongya Medical	Purchasing goods	574,791	6,037,893
Wine Culture Museum	Purchasing goods	5,975,817	9,475,159
Window of Wine City	Purchasing goods	1,014,685	2,857,130
Cultural Sales	Purchasing goods	3,265,703	
Cultural Development	Purchasing goods	156,616	

List of selling goods/providing services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
Wine Culture Museum	Selling goods	2,765,314	3,377,011
Window of Wine City	Selling goods	1,441,166	3,891,101
Zhongya Medical	Selling goods	1,349,021	2,559,870

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
God Horse Packing	Selling goods	1,915	3,520
Cultural Sales	Selling goods	21,600	3,873,204
Cultural Development	Selling goods	1,836,470	1,847,727

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

12.5.2 Related trusteeship/contracting and mandatory administration/outsourcing

Nil

12.5.3 Leasing with related parties

The Company as a lessor:

Unit: Yuan

Name of the lessee	Type of leased assets	Rental income recognized in this period	Rental income recognized in prior period
God Horse Packing	Office building and plant	746,275	742,883
Zhongya Medical	Office building		260,279

The Company as a lessee:

Unit: Yuan

Name of the lessor	Type of leased assets	Rent recognized in this period	Rent recognized in prior period
Changyu Group Company	Office building and plant	3,595,583	3,447,891

12.5.4 Related guarantee

Nil

12.5.5 Inter-bank borrowing and lending of related parties

Nil

12.5.6 Asset transfer and debt recombination of related parties

Nil

12.5.7 Other related transactions

Unit: Yuan

Item	Note	Amount incurred in this period	Amount incurred in prior period
Trademark use fee	(a)	8,977,248	

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

12.6 Accounts receivable and payable of the related parties

12.6.1 Accounts receivable

Unit: Yuan

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Zhongya Medical	2,005,182	67,379	4,292,386	59,268
Accounts receivable	Window of Wine City			1,610,485	22,237
Other receivable	Changyu Group	3,775,362			
Other receivables	God Horse Packing	1,626,800		813,400	
Other non-current assets	Changyu Group	184,158,436		193,674,320	
Prepayment	Mirefleurs	6,429,542			
Prepayment	L&M Holdings	1,632,941			

12.6.2 Accounts payable

Unit: Yuan

Item	Related parties	Ending book balance	Beginning book balance
Accounts payable	God Horse Packing	37,075,376	39,893,538
Accounts payable	Zhongya Medical	4,392,389	1,024,310
Accounts payable	Wine Culture Museum		4,874,963
Accounts payable	Window of Wine City		3,758,054
Accounts payable	Cultural Sales		297,956
Accounts payable	Cultural Development		142,610
Other accounts payable	God Horse Packing	604,000	450,000

13. Share-based payment

Nil

14. Commitment and contingency

14.1 Significant commitment

Unit: Yuan

Item	Ending balance	Beginning balance
Making long-term asset commitments	539,980,000	679,980,000

14.2 Contingency

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

15. Matters after balance sheet

15.1 Important non-adjusting events

Nil

15.2 Profit distribution

Profits or dividends to be distributed	479,824,800
Allocated profits or dividends approved to declare upon discussion	479,824,800

15.3 Other statement of events after the balance sheet date

According to the decision of the Shareholders' Meeting dated May 17, 2020, based on the issued capital stock of 685,464,000 shares in 2019, the Company allocated RMB 7 Yuan in cash (including tax) for every 10 shares to all shareholders with the total cash dividends of RMB 479,824,800 Yuan. Such cash dividends were distributed on July 10, 2020 and July 14, 2020 respectively.

16. Other important matters

Nil

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

17.1 Accounts receivable

17.1.1 Accounts receivable disclosed by type

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable for which provision for bad debts is accrued on a single item basis										

Accounts receivable for bad debts is accrued on a combined basis	304,238	100%	1,978	0.7%	302,260	2,589,936	100%	601,610	23.2%	1,988,326
Total	304,238	100%	1,978	0.7%	302,260	2,589,936	100%	601,610	23.2%	1,988,326

Provision for bad debts accrued on a combined basis:

Unit: Yuan

Name	Ending balance		
	Book balance	Provision for bad debts	Accrued proportion
Amounts due from related parties	304,238	1,978	0.7%
Total	304,238	1,978	--

Disclosed by age:

Unit: Yuan

Age	Ending balance
Within 1 year (including 1 year)	304,238
1-2 years	
2-3 years	
Over 3 years	
Total	304,238

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

Unit: Yuan

Type	Beginning balance	Changes in this period			Ending balance
		Accrued	Withdrawn or transferred back	Cancelled	
Accounts receivable for which provision for bad debts is accrued by credit risk features	601,610		599,632		1,978
Total	601,610		599,632		1,978

17.1.3 Accounts receivable actually cancelled after verification in this period

Nil

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

Unit: Yuan

Unit name	Ending balance of accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of bad debt reserves
Zhongya Medicine and Health Care Wine Company	304,238	100%	1,978
Total	304,238	100%	

17.1.5 Accounts receivable derecognized due to transfer of financial assets

Nil

17.1.6 Accounts receivable transferred and included in assets and liabilities

Nil

17.2 Other receivables

Unit: Yuan

Item	Ending balance	Beginning balance
Interest receivable	464,614	90,355
Dividends receivable	2,985,375	200,000,000
Other receivables	275,433,946	386,334,603
Total	278,883,935	586,424,958

17.2.1 Interest receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Fixed deposit	464,614	90,355
Entrusted loan		
Bond investment		
Total	464,614	90,355

17.2.2 Dividends receivable

Unit: Yuan

Item (or the invested unit)	Ending balance	Beginning balance
Dividends receivable from subsidiaries	2,985,375	200,000,000
Total	2,985,375	200,000,000

17.2.3 Other receivables

1) Particulars of other receivables classified by nature

Unit: Yuan

Nature	Ending book balance	Beginning book balance
Accounts receivable from subsidiaries	272,221,693	385,328,319
Accounts receivable from related parties	2,359,130	813,440
Other	853,123	192,844
Total	275,433,946	386,334,603

2) Disclosed by age

Unit: Yuan

Age	Ending balance
-----	----------------

Age	Ending balance
Within 1 year (including 1 year)	275,413,946
1-2 years	
2-3 years	
More than 3 years	20,000
Total	275,433,946

3) Provision for bad debts accrued, withdrawn or transferred back in this period

The provision for bad debts accrued in this period was RMB 0 Yuan.

4) Accounts receivable actually cancelled after verification in this period

Nil

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

Unit: Yuan

Unit	Nature of fund	Ending balance	Age	Percentage in the total ending balance of other accounts receivable	Ending balance of provision for bad debts
Sales Company	Internal incomings and outgoings	236,837,358	Within 1 year	86.0%	
R&D Company	Internal incomings and outgoings	19,536,550	Within 1 year	7.1%	
Longkou Sales	Internal incomings and outgoings	9,692,960	Within 1 year	3.5%	
God Horse Packaging	Internal incomings and outgoings	1,626,800	Within 1 year	0.6%	
Golden Icewine Valley	Internal incomings and outgoings	774,832	Within 1 year	0.3%	
Total	--	268,468,500	--	97.5%	

6) Accounts receivable related to governmental subsidy

Nil

7) Other accounts receivable derecognized due to transfer of financial assets

Nil

8) Other accounts receivable transferred and included in assets and liabilities

Nil

17.3 Long-term equity investment

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	7,437,422,621		7,437,422,621	7,432,422,621		7,432,422,621
Investment in associated enterprises and joint ventures						
Total	7,437,422,621		7,437,422,621	7,432,422,621		7,432,422,621

17.3.1 Investment in subsidiaries

Unit: Yuan

Invested unit	Beginning balance (book value)	Increase and decrease in this period				Ending balance (book value)	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Provision for impairment accrued	Others		
Xinjiang Tianzhu	60,000,000					60,000,000	
Kylin Packaging	23,176,063					23,176,063	
Changyu Chateau	28,968,100					28,968,100	
Pioneer International	3,500,000					3,500,000	
Ningxia Growing	36,573,247					36,573,247	
National Wine	2,000,000					2,000,000	
Icewine Valley	30,440,500					30,440,500	
Beijing Chateau	588,389,444					588,389,444	
Sales Company	7,200,000					7,200,000	
Langfang Sales	100,000					100,000	
Langfang Castel	19,835,730					19,835,730	
Wine Sales	4,500,000					4,500,000	
Shanghai Marketing	300,000					300,000	
Beijing Marketing	850,000					850,000	
Jingyang Sales	100,000					100,000	
Jingyang Wine	900,000					900,000	
Ningxia Wine	222,309,388					222,309,388	
Ningxia Chateau	453,463,500					453,463,500	
Chateau Tinlot	212,039,586					212,039,586	
Shihezi Chateau	812,019,770					812,019,770	
Chang'an Chateau	803,892,258					803,892,258	
Research, Development & Manufacture Company	3,288,906,445					3,288,906,445	
Huanren Wine	22,200,000					22,200,000	
Wine Sales Company		5,000,000				5,000,000	

Invested unit	Beginning balance (book value)	Increase and decrease in this period				Ending balance (book value)	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Provision for impairment accrued	Others		
Francs Champs	236,025,404					236,025,404	
Marques del Atrio	190,150,544					190,150,544	
Indomita Wine	274,248,114					274,248,114	
Kilikanoon Estate, Australia	110,334,528					110,334,528	
Total	7,432,422,621	5,000,000				7,437,422,621	

17.4 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	132,995,774	125,288,367	334,207,600	292,023,685
Other business	19,954,741	17,952,827	18,143,402	17,546,895
Total	152,950,515	143,241,194	352,351,002	309,570,580

17.5 Investment income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Income from long-term equity investment by cost method	87,474,604	264,221,755
Income from long-term equity investment by equity method		
Investment income from disposal of long-term equity investment		
Investment income of the financial assets measured at their fair values and the variation of which is recorded into the current profits and losses during the holding period		
Investment income gained from disposal of the financial assets measured at their fair values and the variation of which is recorded into the current profits and losses		
Investment income of held-to-maturity investment during the holding period		
Investment income of financial assets held for sale during the holding period		
Investment income gained from disposal of financial assets held for sale		

Item	Amount incurred in this period	Amount incurred in prior period
Gains generated from the remaining equity remeasured as per fair value after the loss of control		
Total	87,474,604	264,221,755

18. Supplementary materials

18.1 List of non-current profits/losses in this period

Unit: Yuan

Item	Amount	Remark
Profits/losses on disposal of non-current assets	39,641	
Tax return, deduction and exemption approved beyond the authority or without formal approval document		
Governmental subsidy included in the current profits/losses (excluding those closely related to the enterprise business and enjoyed in accordance with the unified standard quota or ration of the state)	49,780,231	
Payment for use of funds by non-financial enterprises included in the current profits/losses		
Income obtained when the investment cost obtained by the enterprise from subsidiaries, joint-run business and joint venture is less than the fair value of the net identifiable assets obtained from the invested units when the investment is made		
Profits/losses on exchange of non-monetary assets		
Profits/losses on entrusting other people to make investment or manage assets		
Asset impairment provision accrued due to force majeure such as natural disaster		
Profits/losses on debt restructuring		
Enterprise reorganization expenses such as staffing expenditure and integration expenses, etc.		
Profits/losses on those beyond the fair value generated from transactions with unfair transaction price		
Current net profits/losses on subsidiaries acquired from a business combination under common control from the beginning to the consolidation date		

Item	Amount	Remark
Profits/losses on contingencies unrelated to the normal business of the Company		
Profits/losses on changes of fair value of tradable financial assets, derivative financial assets, tradable financial liabilities and derivative financial liabilities, and investment income from disposal of tradable financial assets, derivative financial assets, tradable financial liabilities, derivative financial liabilities and other investment in creditor's rights, excluding effective hedging operations relevant to the normal business of the Company		
Transfer-back of accounts receivable with single impairment test and provision for impairment of contract assets		
Profits/losses on external entrusted loans		
Profits/losses on fair value changes of investment real estate with fair value mode for follow-up measurement		
Influence of the one-time adjustment of the current profits/losses in accordance with tax and accounting laws and regulations on the current profits/losses		
Trustee fee income from entrusted operation		
Other non-operating income and expenditure besides the above items	3,814,957	
Other profits/losses conforming to the definition of non-current profits/losses		
Minus: Influenced amount of income tax	13,221,932	
Influenced amount of minority shareholders' equity	144,174	
Total	40,268,723	--

18.2 Return on net assets and earnings per share

Profit incurred in this period	Weighted average return on net assets	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	2.96%	0.45	0.45
Net profit attributable to common shareholders of the Company deducting non-incident profits/losses	2.57%	0.39	0.39

18.3 Accounting data difference under domestic and foreign accounting standard

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

Unit: Yuan

	Net profits		Net assets	
	Amount incurred in this period	Amount incurred in prior period	Ending balance	Beginning balance
In accordance with the Chinese accounting standard	307,035,572	603,403,789	10,131,863,831	10,308,910,198
Item & amount adjusted in accordance with the international accounting standard:				
In accordance with the international accounting standard	307,035,572	603,403,789	10,131,863,831	10,308,910,198

XII. Reference Documents

- (1) The original of 2020 Semi-annual Report autographed by the chairman.
- (2) The Financial Statements autographed and signed by the chairman, chief accountant and accountants in charge.
- (3) The *Prospectus* and *Public Offering Announcement* for Stock B in 1997; The *Prospectus* and *The Shares' Change & Public Offering Announcement of Stock A* for Stock A in 2000.
- (4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

August 28th, 2020